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Algeria	6.00	Iran	115	Rates	Other	1,000	Flas
Austria	22.5	Israel	1.50	Portugal	145	Flas	
Bahrain	0.60	Qatar	1.00	Spain	160	Flas	
Bangkok	50.00	Romania	300	Switzerland	2.50	Flas	
Beijing	15.00	Saudi Arabia	75	Taiwan	1.00	Flas	
Bombay	15.00	South Africa	1.00	Thailand	1.00	Flas	
Buenos Aires	1.00	Sweden	1.00	Tokyo	1.00	Flas	
Calcutta	1.00	Switzerland	1.00	U.S.	1.00	Flas	
Cairo	1.00	Taiwan	1.00	U.S. (Ex.)	1.00	Flas	
Chongqing	1.00	Thailand	1.00	U.S. (Imp.)	1.00	Flas	
Columbo	1.00	Tokyo	1.00	U.S. (Govt.)	1.00	Flas	
Dhaka	1.00	U.S.	1.00	U.S. (Milit.)	1.00	Flas	
Hankow	1.00	U.S. (Milit.)	1.00	U.S. (Other)	1.00	Flas	
Hong Kong	1.00	U.S. (Other)	1.00	U.S. (Special)	1.00	Flas	
Kobe	1.00	U.S. (Special)	1.00	U.S. (Total)	1.00	Flas	
London	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Lyons	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Manila	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Moscow	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Mumbai	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Nairobi	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Paris	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Rangoon	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Reykjavik	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Riyadh	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Singapore	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Sourabaya	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Taipei	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Tel Aviv	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Tientsin	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Tokyo	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	
Yokohama	1.00	U.S. (Total)	1.00	U.S. (Total)	1.00	Flas	

Générale Victory Claimed: Is War Over?



Leading the investor group that asserted, at a Brussels news conference, to have control of Société Générale are Maurice Lippens, center, president of Belgium's Groupe AG, and Patrick Ponsolle, left, and Gérard Worms, executive vice presidents of France's Compagnie Financière de Suez.

De Benedetti Asserts He Hasn't Lost

By Jacques Neher
Special to the Herald Tribune
PARIS — Compagnie Financière de Suez and a group of investors from Belgium and Luxembourg asserted Wednesday that they had won the battle for Société Générale de Belgique by accumulating 52 percent of its shares. But the Italian financier Carlo de Benedetti challenged that claim.



Students Riot as Chun Bids Farewell
Thousands of students charging election fraud battled with police in Seoul on Wednesday as President Chun Doo Hwan bade farewell before handing over power to Roh Tae Woo. Earlier, students wearing South Korean flags negotiated the U.S. cultural center, but police dislodged them.

Pretoria Shuts Off Its Critics

Botha Restricts Political Work by Foes of Apartheid
By William Claiborne
Washington Post Service
JOHANNESBURG — In its harshest state-of-emergency crackdown, South Africa effectively banned 17 leading anti-apartheid organizations on Wednesday, including the United Democratic Front coalition, and prohibited the country's largest trade union federation from engaging in political activities.

Klosk Italy Denies F-16s Accord

ROME (Reuters) — Italy, responding to a report it had agreed in principle to accept U.S. F-16 fighter planes, said Wednesday that no decision could be made until NATO had examined the issue.

Latin Drug Cartel Corrupts Vast Area

By Bradley Graham
Washington Post Service
BOGOTA, Colombia — The spreading power of Colombia's cocaine traffickers is undermining governments in Latin America and the Caribbean and beginning to pose a threat to U.S. security interests in the region, according to government officials here and recent testimony in the United States.

Armenian Unrest Continues

By Philip Taubman
New York Times Service
MOSCOW — The authorities in two southern republics of the Soviet Union moved Wednesday to quell Armenian nationalist protests that appeared to be developing into a major problem for Mikhail S. Gorbachev and the Moscow leadership.

Students Riot as Chun Bids Farewell

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Editor's Note

An article published on Page 1 of Wednesday's International Herald Tribune under the headline "Senate Unit Warns of Defeat for Iraq" was in fact the same article that appeared in the newspaper last Oct. 20.

Dole Savors Victories In 2 Midwestern States

Compiled by Our Staff From Dispatches
Senator Bob Dole on Wednesday savored two fresh election victories, saying they would allow him to campaign in the big upcoming round of Southern primaries as a more electable presidential candidate than Vice President George Bush.

Thai Blockade Halts Refugees

By Michael Richardson
International Herald Tribune
RANG ISLAND, Thailand — Huddled beside a fire on the beach, Le Quang Huong Duyen described how she joined a well-organized syndicate that has smuggled thousands of Vietnamese asylum seekers into Thailand through Cambodia in the last year.

Suspected Collaborator Hanged by Palestinians

By Alan Cowell
New York Times Service
JERUSALEM — Palestinian protesters lynched an Arab accused of being a collaborator on Wednesday after the man shot and killed a 4-year-old boy as his home was being attacked in the Israeli-occupied West Bank, according to Israeli and Palestinian reports.

Israeli Says the Army Sees Actions as 'Fair'

By Edward Cody
Washington Post Service
TEL AVIV — The Israeli Army's chief psychologist has reported that most Israeli soldiers putting down riots in the Gaza Strip and the West Bank consider actions they have seen or participated in "fair" to Palestinians.

BEIRUT CAR-BOMB

Lebanese army troops work on Wednesday to extinguish a fire after a bomb destroyed a car in Beirut. One person was killed and four other persons were injured.

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PEOPLE

Caspar Weinberger
Honorary Knighthood
Caspar Weinberger received an honorary knighthood from Queen Elizabeth II Tuesday in a ceremony at Buckingham Palace. It doesn't mean the 70-year-old U.S. defense secretary will receive a red ribbon with the 1982 Falkland Islands between Britain and Argentina. He received a red ribbon with the Order of the British Empire, and a separate award signifying the title Knight of the Cross — the highest order of chivalry for a foreigner. It means he now call himself Caspar Weinberger GBE. Buckingham Palace said a very few of the 50 Americans who have received honorary knighthoods were GBEs. Most Americans who received honorary knighthoods were made Knights of the Order of the British Empire or KBEs, a lower order of chivalry.

Brigitte Bardot, 1960s sex symbol, turned protector of dolphins, was in the right place at the right time when a 53-year-old reclusive who has become a role model for animal rights, made an impressive plea to local rescue services for the beached animal. The 46-year-old (200-pound) dolphin was beached again. This time it got brought in a veterinarian to a local aquarium, who injected material with precision before rescue services pulled it far on its way.

Judith Campbell Exner, who People magazine the article more than 10 meetings with John F. Kennedy and Chiang Kai-shek Sam Giancana in the 1960s, was paid about \$500,000, the author of the article said. Kirby Kelley, the author of a best-selling biography of Frank Sinatra, said Exner sent a fee from People magazine of \$100,000. She said payment was justified now because Exner has terminal cancer and needs a little piece of heaven.

HTS WINES & SPIRITS

RARE WINES BOUGHT & SOLD

WILLIAM SOKOL

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Anger Over Shootings Overshadows a Meeting On British-Irish Accord

By Barry James
International Herald Tribune

Irish anger about the activities of British security forces in Northern Ireland overshadowed a meeting in Dublin on Wednesday aimed at restoring confidence in the tattered British-Irish agreement.

Tom King, the British secretary of state for Northern Ireland, flew to Dublin to meet with Foreign Minister Brian Lenihan and Justice Minister Gerard Collins under the terms of the 1985 agreement, which gives Ireland a consultative voice in the running of Northern Ireland in exchange for cooperation against the outlawed Irish Republican Army.

Irish ill-feeling about British security policy in Northern Ireland was heightened this week by the fatal shooting at a British border checkpoint on Sunday of a young and unarmed Roman Catholic known to be an activist of Sinn Fein, the IRA's political wing.

Then Ireland's ire was raised another notch when Britain confirmed that a soldier sentenced to life imprisonment for fatally shooting an unarmed Catholic civilian had been quietly paroled after only three years and allowed to rejoin his regiment.

The Ministry of Defense in London said that the soldier, Private Ian Thain, had made "a tragic error of judgment" in the 1983 shooting.

The British Army said that the most recent shooting, at the border post at Aghnacloy, was an accident. The 18-year-old soldier accused of firing the shot appeared in court Wednesday on a manslaughter charge and was ordered held without bail in police custody.

The Roman Catholic primate of Ireland, Cardinal Tomas O Fiaich, called the killing of Aidan McAneaney, 24, a murder, and accused Britain of maintaining a "deplorable" criminal justice system in Northern Ireland.

The British-Irish agreement was intended to create a framework of trust within which the sectarian conflict in Northern Ireland could be worked out. With Prime Minis-

ter Charles J. Haughey of Ireland accusing the British of "historic indifference" to Ireland, however, the agreement has come under repeated shocks recently.

Last month, the Irish government and public were angered by an announcement by the British attorney general that he would not prosecute police officers who obstructed inquiries into the fatal shooting by the police in 1982 of six republican sympathizers in ambulances and roadblocks.

British-Irish relations also were strained in January by an appeals court decision to uphold the conviction of six Irishmen sentenced to life imprisonment for murdering 21 persons by placing bombs in taverns, and more recently by the decision of the British government to make permanent its emergency anti-terrorist powers.



David Holden, 18, a British soldier, left court Wednesday in Cookstown, Northern Ireland, after appearing on a manslaughter charge in the shooting of an unarmed Sinn Fein activist at a checkpoint.

ARMENIA: Local Party Chief Is Fired Amid Unrest

(Continued from Page 1)

threat to the cohesion of the Soviet state.

Mr. Gorbachev, underlining Moscow's concern, proposed last week that the Communist Party central committee devote a meeting to the issue of nationalities policy, which he called "the most fundamental, vital issue of our society."

Unofficial reports coming from the Armenian capital of Yerevan said crowds of more than 100,000 people gathered in a central square each of the last three days to petition the authorities to transfer political control of Nagorno-Karabakh to Armenia. The city has an estimated population of 1.2 million.

A British tourist reached by telephone in Yerevan late Wednesday estimated that tens of thousands of

people, divided into numerous groups, paraded through the city during the day.

The tourist, who asked not to be identified, said that the mood of the demonstrators seemed "cheerful," that he saw no evidence of violence or confrontations with the police, and no signs of a general strike.

There were unconfirmed reports of a general strike by workers in Armenia.

Several factors apparently prevent the unification, including Azerbaijani objections and a reluctance by Moscow to alter internal political boundaries. According to nationalist pressure would also be considered a dangerous precedent.

The magnitude of the unrest, first confirmed by the government on Tuesday, has been difficult to

determine with any certainty in Moscow because of a lack of reliable information.

Western correspondents, who must notify the government about travel plans several days before departure, cannot visit the troubled areas until the weekend.

In previous cases of nationalist activity, including anti-Soviet rioting in the Central Asian city of Alma-Ata in December 1986, travel by Western correspondents and diplomats to the area in question was banned for several months.

Government accounts about the situation in Armenia and Azerbaijan, while more extensive than reporting on previous nationalist incidents in the Soviet Union, have been sketchy. They have provided no information about the number of demonstrators.

Albanians At Parley On Balkans

(Continued from Page 1)

BELGRADE — The first post-World War II conference of Balkan foreign ministers opened on Wednesday in Yugoslavia with strong indications by Albania that it wants to end its self-imposed isolation.

The Yugoslav president, Lazar Mojsov, opened the session of six Balkan countries, the first such gathering since World War II. It also marked Albania's first appearance at a regional meeting after a decade of rejecting invitations to attend lower-level meetings.

The three-day session was expected to review possibilities for stepping up regional economic cooperation and creating a joint Balkan market.

One sign that the Balkan countries are willing to negotiate came on Tuesday when Bulgaria and Turkey, long feuding over Bulgaria's treatment of its one million ethnic Turks, signed a protocol on good neighborly relations.

The document was a clear indication that the two countries are planning to resolve their longstanding dispute over the reported discrimination and forced assimilation of Bulgaria's Turkish minority.

Foreign Minister Reis Malie of Albania said, "Development of relations with neighboring countries constitutes one of the priorities of the foreign policy" of Albania.

Mr. Malie said Albania was basically in favor of a nuclear-free zone in the Balkans, but added that "nuclear weapons in the Balkans are only a link in the chain the superpowers have put around our peninsula."

U.S. Court Says Falwell Can't Collect \$200,000

The Associated Press

WASHINGTON — The Supreme Court overturned on Wednesday a \$200,000 award won by the Reverend Jerry Falwell against Hustler magazine and its publisher, Larry Flynt, extending the legal protections for parody and satire, even when they are pornographic.

The court ruled in an 8-0 decision that even pornographic spoofs about a public figure enjoy the free-speech protections of the First Amendment of the U.S. Constitution if those spoofs could not reasonably have been interpreted as stating actual facts about the person.

The justices overturned the award the evangelist had won for "emotional distress" caused by a full-page advertising parody that appeared in the November 1983 and March 1984 issues of Hustler, a sexually explicit magazine.

Featuring a photograph of Mr. Falwell, the ad purportedly quotes him discussing a sexual encounter with his mother and describing himself as a habitual drunkard. At the bottom of the page in small print the readers were told that the ad is a parody "not to be taken seriously."

Mr. Falwell had charged Hustler and Mr. Flynt with libel, invasion of privacy and intentional infliction of emotional distress. He asked for \$45 million in damages.

A federal jury in Roanoke, Virginia, ruled in late 1984 that the ad did not libel Mr. Falwell, and the presiding judge dismissed the invasion-of-privacy allegation.

But the jury ruled for Mr. Falwell on his emotional-distress allegation, and awarded him \$200,000. The 4th U.S. Circuit Court of Appeals upheld the award, but the decision Wednesday threw it out.

"Outrageousness in the area of political and social discourse has an inherent subjectiveness about it which would allow a jury to impose liability on the basis of the jurors' tastes or views, or perhaps on the basis of their dislike of a particular expression," Chief Justice William H. Rehnquist wrote for the court.

"An 'outrageous' standard thus runs afoul of our longstanding refusal to allow damages to be awarded because the speech in question may have an adverse emotional impact on the audience," he said.

The court noted that "graphic depictions and satirical cartoons have played a prominent role in public and political debate."

It discounted Mr. Falwell's contention that the Hustler parody was so outrageous that it should be distinguished from more traditional political cartoons.

WORLD BRIEFS

French Doctor Suspended in Scandal

PARIS (AP) — The French health minister, Michèle Barzach, suspended the head of a regional hospital anesthesiology service on Wednesday and ordered an investigation to determine whether he was the doctor who used a comatose patient for experiments.

Reports of the experiment, disclosed Tuesday night in a criminal trial in the western city of Poitiers, led to reactions of horror and outrage that were spread across the front pages of French newspapers.

Jean Lassner, a professor of medicine, testified that a doctor he did not identify had placed a deeply comatose patient, considered legally dead, on a sabotaged reanimation system. He said the experiment was carried out to see if the effects were the same as in the case on trial, in which a young woman died, possibly from medical sabotage. The comatose patient survived.

Mr. Lassner was testifying at a trial of three doctors charged in connection with the 1984 death of Nicole Bernier after her operation for a tumor at Jean Bernard Hospital in Poitiers. Mrs. Bernier, then 33, apparently received nitrogen oxide, potentially toxic, instead of oxygen immediately after the operation and died of asphyxiation. An investigation showed that the tubes had been switched.

UN Report Urges More Aid for Africa

UNITED NATIONS, New York (AP) — Sub-Saharan Africa needs \$5 billion a year in additional aid and debt relief to weather its financial crisis, a group of financial experts said in a United Nations report released Wednesday.

"The African continent presents some of the most intractable development problems in the world," Sir Douglas Wass, chairman of the Advisory Group on Financial Flows for Africa, said in the report. Without help, the political problems confronting the region could become "insurmountable," the group warned.

The report covers 44 countries south of the Sahara, where the problems of chronic poverty, high birth rates, meager resources, political instability and poor management have been compounded by falling prices for commodities like cocoa and coffee, massive foreign debt and dwindling infusions of capital.

Manila Protesters Condemn Aquino

MANILA (Reuters) — Several thousand protesters demonstrated on Wednesday against plans to mark the second anniversary of the "people power" uprising that brought President Corason C. Aquino to office.

The protesters, mostly members of militant labor and student groups and estimated by the police at about 10,000, burned effigies of Mrs. Aquino and accused her administration of being pro-American. About 100 riot policemen and heavily armed soldiers backed by water-cannon stopped the protesters a short distance from the gates of Camp Aguinaldo.

The police said the protesters peacefully dispersed after four hours. No incidents were reported and no one was arrested, a spokesman said.

Kohl Plans New Aid for Steel Region

BONN (Reuters) — Chancellor Helmut Kohl proposed a 1 billion Deutsche mark (\$590 million) aid package for the hit Ruhr steel region after a conference on Wednesday with industry and union leaders.

The meeting took place in the shadow of growing labor unrest in the Ruhr. On Tuesday, tens of thousands of workers and their families formed an 80-kilometer (50-mile) human chain across the Ruhr to press for Bonn action on their behalf.

Mr. Kohl offered 500 million DM to revitalize the Ruhr if North Rhine-Westphalia state, where the depressed region is located, agreed to contribute a matching amount. About 400 million DM would come from Bonn and 100 million DM from the European Community's steel industry assistance program, Mr. Kohl said.

West Germany Gives Up on Satellite

BONN (Reuters) — West Germany's final attempt to save a crippled broadcasting satellite failed on Wednesday, and officials said Bonn was writing off the 300-million-mark (\$175 million) project.

"It's all over," a Post-Ministry spokesman said. He said a blocked solar-generating panel on the satellite, TV-SAT 1, had not responded to instructions to open. The satellite was insured for 95 million Deutsche marks.

The failure severely sets back West German efforts to enter the satellite broadcasting market and expand the country's private television sector. TV-SAT 1, launched in November, was designed to transmit four existing cable channels and 16 stereo music programs directly to homes across Europe. But problems began a few days after the launching, when one of the satellite's two solar generating panels failed to open.

Hijacker's Confession Voided in U.S.

WASHINGTON (WP) — The judge presiding over the hijacking case of an alleged Lebanese terrorist, Fawaz Younis, has thrown out a written confession and all other statements that Mr. Younis made to FBI agents shortly after his arrest, ruling that the agents had violated Mr. Younis's constitutional rights.

The judge, Barrington D. Parker of U.S. District Court in Washington, said Tuesday that Mr. Younis was not properly advised of his rights, did not receive adequate medical treatment for the broken wrists he sustained while being arrested in international waters off Cyprus, and was not provided an attorney during questioning.

Fawaz Younis

Mr. Younis, 28, is charged with the 1985 hijacking of a Jordanian jetliner in Beirut. It was unclear if the ruling would delay his trial, set for March 22. The government has much other evidence that Mr. Younis led the hijackers, and can appeal only if prosecutors can show that the ruling cripples their case.

Lebanese Militia Is Said to Know Marine's Captors

BEIRUT — Lebanon's Shiite Amal militia knows who is holding Lieutenant Colonel William R. Higgins of the U.S. Marine Corps and where his kidnapers are, Moslem political sources said on Wednesday.

One source said that Amal was hesitant to use force to free Colonel Higgins because it did not want to start an inter-Shiite feud or to go into battle with Iran's allies.

Amal has refused to identify who was behind the abduction, but has said it knows the identity of its chief organizer.

Colonel Higgins, 43, who heads the Lebanon unit of the UN Truce Supervision Organization, was kidnapped by three gunmen.

BOAT: Refugees Await Help

(Continued from Page 1)

Bangkok office of the United Nations High Commissioner for Refugees.

About 75 percent of the Vietnamese arriving last month landed in Trat Province. Some Thai officials said that as many as 30,000 more Vietnamese are backed up in Cambodia waiting to cross into Thailand.

The Vietnamese on Rang Island have become the center of a dispute involving Thailand, the United States and the United Nations.

Both the United States and refugee agency insist that the Vietnamese should be treated as refugees and granted asylum in Thailand, which describes them as illegal immigrants.

At issue is whether the Vietnamese are true political refugees or simply economic migrants seeking a better life.

The United States has expressed concern at reports of deaths of dozens of Vietnamese from drowning, disease, hunger and dehydration since the Thai government imposed its blockade last month.

ISRAEL: Arab Is Lynched

(Continued from Page 1)

broadcast the names of several West Bank residents whom called collaborators.

The man who was lynched was said by the police to have opened fire with an Uzi machine gun — a favored Israeli weapon — killing a 4-year-old boy and wounding 13 other Palestinians. Very few Arabs are permitted to possess firearms, and the Uzi is a military-issue weapon.

According to Palestinian accounts, villagers led the man's family from his home before setting it on fire. His burned body was then hanged from an electricity pylon for several hours.

Jordanian Accuses Israel

A Jordanian cabinet minister accused Israel on Wednesday of damaging two of Islam's holiest shrines with "burning canisters." The Associated Press reported from Amman.

The Jordanian religious affairs minister, Abdul-Aziz Al-Kharyyat, said "Israeli forces threw burning canisters" in the two sites, the Dome of the Rock and Al Aqsa Mosque on Temple Mount in Jerusalem, causing small fires and injuring worshippers.

"This incident happened about three weeks ago," he said, "but we could not talk about it until we had some pictures as proof of Israel's actions." The Amman daily Ad Dustour published photos that appeared to show tear-gas canisters.

The minister said they wounded several people and burned "at least five different places" at Al Aqsa and three at the Dome of the Rock.

BRUTAL: Soldiers' View

(Continued from Page 1)

terme the feelings of Palestinians who have taken to the streets or who have been beaten by soldiers, he responded, "That's not our job."

Colonel Dover said Israeli soldiers had been frustrated because of what he described as an "ambiguous situation" in which some units in Gaza and the West Bank are unclear on what their goals are and how much force they should use. This ambiguity is increased, he said, because soldiers are trained to fight a clear-cut enemy rather than repress civilian populations.

"People are not happy to use force," Colonel Dover said. "There are reactions of frustration, anger toward the situation. There are some reactions of pity toward the population."

But, citing his survey, he said the army's repression of Palestinian rioters had not brutalized Israeli soldiers or led to lack of discipline in units assigned to Gaza and the West Bank.

"This activity is not affecting the morale of the units in general," he said. "I think we must be concerned about it. But to this point, I do not see any brutalization of soldiers. I see exceptions, but it is not the norm."

He said, however, that some unit commanders had expressed "deep concern about the possible consequences" of prolonged police duty in Gaza and the West Bank if the Palestinian unrest continues.

DRUGS: Cartel Corrupts Region

(Continued from Page 1)

friends and allies of the United States," General Gorman said.

Appealing for a "reassessment" of the U.S. anti-narcotics strategy, General Gorman was especially critical of U.S. efforts in Colombia, calling them "halfhearted." He said the United States had promised more help than it had delivered, had substituted short-term "Band-Aid" measures for a "long-term comprehensive strategy" and had yet to apply advanced American technologies against trafficking.

He noted further that while the United States has extensive intelligence about Central America's political conflicts, "there is no comparable apparatus being brought to bear on international drug trafficking."

In the late 1970s and early 1980s, when the cocaine trade was becoming big business, the Medellín cartel sought staging bases and money-laundering privileges in Panama and the Bahamas. After the murder of the Colombian justice minister, Rodrigo Lara Ballea in April 1984, which provoked a crackdown on traffickers in Colombia, the cartel's foreign operations grew in earnest.

According to José I. Blandón, a former political adviser to General Manuel Antonio Noriega who recently broke with the Panamanian leader, 1984 was "a key year for the development and growth of this international network."

Leaders of the cartel took temporary refuge in Panama and Nicaragua. In Brazil, Venezuela and Ecuador, the authorities began reporting a sharp increase in narcotics activity. Peru and Bolivia already were the main sources of coca leaves, the raw material for cocaine.

More recently, U.S. officials have expressed concern about con-

nections between traffickers and military officers in Honduras, a staunch U.S. ally.

A Honduran, Ramón Matta Ballesteros, is wanted by U.S. drug officials in connection with the murder of a U.S. narcotics agent, Enrique Camarena Salazar in 1985. There have been allegations that senior Honduran military officers were involved in the shipment of cocaine from Colombia to the United States, charges the Honduran authorities deny.

"The recruiting process follows the same mechanism," Mr. Blandón told the Senate subcommittee, whose chairman is Senator John F. Kerry, Democrat of Massachusetts. They use money, they use flattery, they leave briefcases full of money, and that is all part of a process."

A glimpse of what it has cost the drug lords to expand overseas is also contained in recent public statements. Ramón Rodríguez, a former chief financier for the drug cartel, told Senate investigators that General Noriega had received about \$320 million from Colombian traffickers from 1979 to 1983 in exchange for the run of Panama's airports and banking systems, the identities of U.S. drug agents and the schedules of U.S. Coast Guard and U.S. Navy drug surveillance vessels.

At the trial of one cartel member, Carlos Lehder Rivas, in Jacksonville, Florida, a government witness said this month that he had paid \$3 million to \$5 million in bribes to Prime Minister Lynden O. Findling of the Bahamas, from 1978 to 1981 for protection of marijuana and cocaine-smuggling boats. The Bahamian government has denied several specific charges.

Oswaldo Quintana, an informant in a federal grand jury probe of Haitian cocaine smuggling, told reporters last week that Colonel Jean-Claude Paul, the commander of the Haitian Army's largest battalion, had charged \$250,000 for landing rights for Colombian planes carrying cocaine.

The Medellín cartel is known to be financing groups on both ends of the political spectrum, although the cartel's alliances with communist guerrilla movements and paramilitary groups often appear to be more marriages of convenience than part of some grand ideological campaign.

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Pessimism Grows Over the Prospects for Peace in Nicaragua

By Stephen Kinzer
New York Times Service

MANAGUA — Six months after the signing of a regional peace accord in Central America, prospects for an end to the Nicaraguan conflict appear to be dimming.

A vote in the U.S. Congress this month cut off military aid to the Nicaraguan rebels, and some lawmakers had expected that the period after the aid cutoff would be marked by faster progress toward reconciliation.

But the opposite has happened. Political reconciliations have become more bitter than at any time since the peace accord was signed.

Both of the negotiations in which the Sandinist government is involved, one with political parties and the other with rebels, known as contras, have virtually collapsed.

After the breakdown of cease-fire talks with the contras last week, Sandinists criticized the mediator, Cardinal Miguel Obando y Bravo. They appeared to have lost faith in his impartiality.

President Daniel Ortega Saavedra sent a letter to the Roman Catholic leader this week saying he was upset that the talks had

been "abruptly suspended." He said a higher-ranking government delegation headed by the army chief of staff, Major General Joaquin Cuadra Lacayo, was ready to resume the talks at any moment.

The chief Sandinist negotiator at the talks last week, Deputy Foreign Minister

NEWS ANALYSIS

Victor Hugo Tinoco, said contra delegates wanted the talks to fail. He said Cardinal Obando y Bravo's decision to declare an impasse served that end.

Obviously, the contras influenced Obando, and there was also renewed pressure on the contras by the Reagan administration," Mr. Tinoco told the Sandinist newspaper Barriada. "The administration knows that if a cease-fire is reached, the United States Congress will not see the need of continuing to support the mercenaries."

Mr. Tinoco also said his government opposed any form of aid for the contras, even the food, clothing and medical assistance that Congress is considering. "Any support for a force that is at war, even if it

is rice and beans, is called logistical support in any language," he said.

Cardinal Obando y Bravo said his decision to halt the talks was intended to provide "a moment for reflection." In his homily Sunday, he appeared to criticize the Sandinists for not making new concessions.

"The one who monopolizes power cannot give people freedom because that endangers his power," the cardinal said. "The one who has power feels obligated to oppress others in order to conserve it."

For the last two weeks, Sandinist leaders have been taking a more strident and militant tone in public statements, insisting they have no intention of accepting more opposition demands. They say contra bases in Honduras must be dismantled first.

The peace accord bans such bases. It also requires the five Central American countries that signed the treaty to create "a climate of freedom."

To comply with the accord, Sandinist leaders began a "national dialogue" last year intended to ease political conflicts within Nicaragua. But the dialogue has

broken down because the government will not accept opposition demands for changes in the constitution.

Changes sought by the opposition include a ban on re-electing presidents; guarantees of judicial independence and university autonomy; establishment of an independent commission to oversee elections; separation of the army and police from Sandinist control; and recognition of conscientious objection to military service.

Mr. Ortega took a hard line in a speech Sunday opening this year's session of the National Assembly. He said opposition groups, including the Communist Party, were receiving funds from the United States and "seeking to blackmail the government of Nicaragua."

"This is called treason," Mr. Ortega said. "Now is not the time to be taking our country's dramatic situation lightly."

Legislators from several parties boycotted the session to protest what they described as Sandinist intransigence. Among them was Mauricio Diaz Davila, who was stripped of his position as vice president of the assembly by a vote of the Sandinist majority.

Mr. Diaz has long been considered one of the most moderate opposition leaders, but he has been actively pressing the government to make further political concessions. Lately he has become deeply pessimistic about political prospects.

"If the government keeps acting this way, ultimately all of us will have no alternative other than to become contras," Mr. Diaz said in an interview.

Diplomats and officials close to the Sandinists said this week that they believe that recent events in Masaya, in southwestern Nicaragua, where policemen with truncheons broke up an anti-draft protest, had persuaded government leaders not to allow further loosening of the political system.

"That really shook them up," a diplomat said. "They have gone back into their shell."

In his speech Sunday, Mr. Ortega took note of recent warnings by some politicians that there were conditions for insurrection in Nicaragua. "What insurrection could happen here?" he asked. "Only an insurrection to advance the revolutionary process."

On Eve of His Visit to Mideast, Shultz's Outlook Is 'We'll Try'

By John M. Goshko and David B. Ottaway
Washington Post Service

WASHINGTON — Secretary of State George P. Shultz is heading for the Middle East on what many say is an elusive quest for a negotiating breakthrough that will ease tensions in the Israeli-occupied territories and open the way to an overall settlement of the Arab-Israeli conflict.

No one seems more aware of the difficult task before him than Mr. Shultz himself. At a news conference in Brussels on Tuesday, he said: "It's going to be tough. I don't think many people give me much chance, and that's the drift of their questions everywhere — intense skepticism."

But Mr. Shultz offered a rare insight into his own emotions about his Middle East mission.

"I believe that if there are chances, even if the chances are small, it's worthwhile trying," he said. "You can't be too afraid of failing. Suppose I go and don't succeed? What am I saving myself for? So we'll try, and people want to

have the U.S. come, and maybe we'll get somewhere."

Impelling him are almost three months of turmoil in the Israeli-occupied West Bank and Gaza Strip, intense pressure from pro-Israeli and pro-Palestinian groups and appeals by Arab heads of state and Israeli leaders for the United States to re-engage itself in the peace process.

Many analysts, including several U.S. officials who are reluctant to say so publicly, see little that Mr. Shultz can do beyond creating an illusion of movement in a process whose outcome hinges on the interplay between Israel and the Palestinians.

"Nobody agrees with the American proposals, but everybody wants a process," said Martin Indyk, director of the Washington Institute for Near East Policy.

Many Middle East analysts say the violence has permanently changed the Palestinian docility that had held sway in the West Bank and Gaza since Israel occupied them in 1967.

As a result, they say, the Israeli

public and government, almost evenly divided between those who want to keep the territories and those who would "trade land for peace," cannot indefinitely defer a decision without risking greatly increased confrontation with the frustrated young Palestinians who have carried out the violence of recent weeks.

These analysts say they foresee an increase of tension that, in the short run at least, is likely to strengthen the hand of Israeli hardliners advocating tougher repressive measures.

But, proponents of this theory say, such tactics are unlikely to work against the raised expectations of the 1.5 million Palestinians in the territories.

In the end, they predict that Israel will be unable to avoid a choice between letting the territories go or trying to hold on to them, either through mass expulsions or repression too brutal for a state with Israel's history and democratic ideals to contemplate.

Those U.S. officials and others who hold this view say they believe it will take two to five years for the process to reach that stage. In the meantime, they say, many of the ideas that have dominated the Middle East peace debate in the past have lost much of their relevance because events have overtaken them.

These include arguments about whether Israel should deal with the Palestine Liberation Organization or only Jordan, whether negotiations between Israel and an Arab partner should be direct or part of an international conference, and whether there should be a period of limited autonomy in the territories before their final status is decided.

Whether that is indeed the case should start to become clear almost as soon as Mr. Shultz starts his mission Thursday.

Mr. Shultz is basically seeking to turn the negotiating process inside out by starting informal talks first on the "substance" of the dispute rather than dwelling on the "procedures" of how to hold an international conference.

This is partly because the Israeli prime minister, Yitzhak Shamir, has steadfastly resisted Arab demands for a UN-sponsored conference attended by the Soviet Union where international pressures on Israel to yield "land for peace" likely would be intense.

But Israeli and U.S. officials say there is another reason for Mr. Shultz's fixation on substance rather than procedures.

They say that in January, during a State Department review of the failings and accomplishments of the 1978 Camp David accord, Mr. Shultz discovered that Egyptian and Israeli negotiators, before breaking off talks in late 1981, had made considerable progress toward agreement on the rudiments of limited autonomy for the territories.

"Shultz found what had been agreed to under the Camp David talks breath-taking," an Israeli official said.

Mr. Shultz's revived interest in the Camp David talks apparently stems partly as well from Mr. Shamir's stated willingness to discuss changes in those accords.

But President Hosni Mubarak of Egypt and King Hussein of Jordan insist that the Camp David accords can no longer serve as a framework for negotiations and that whatever "substance" Mr. Shultz has in mind must be discussed under the umbrella of an international conference.



Henry A. Kissinger before the Foreign Relations Committee.

Halfhearted, Kissinger Urges INF Ratification

By Helen Dewar
Washington Post Service

WASHINGTON — Henry A. Kissinger, the former U.S. secretary of state, has urged the Senate to approve the INF Treaty but expressed "grave reservations" about its likely effect on the East-West balance of power.

"Failure to ratify the treaty or insistence on amendments requiring renegotiation would not cure its defects," Mr. Kissinger told the Senate Foreign Relations Committee on Tuesday. "It would, on the contrary, vastly magnify all difficulties."

Senate rejection of the treaty at this point would "generate a crisis in the Atlantic alliance which would in the end almost certainly lead to the unilateral withdrawal of U.S. missiles from Europe and undermine the cohesion of the alliance," he said.

Moreover, Mr. Kissinger contended, confidence in U.S. leadership would be "severely undermined" and neutralist sentiment would grow.

But he expressed fear that the treaty would reduce U.S. ability to retaliate with nuclear weapons based in Europe against Soviet aggression while also failing to significantly reduce the Soviet nuclear threat to Europe.

By forcing NATO to rely on U.S. weapons in more distant locations for nuclear deterrence, he said, the treaty creates a "psychological and political imbalance which is greatly magnified by Soviet superiority in conventional forces."

While the Senate cannot afford now to block the treaty, which bans intermediate- and shorter-range nuclear missiles, it should insist in the future on moves to reduce the imbalance of conventional forces in Europe, he said.

Meanwhile, the chief U.S. negotiator on the INF Treaty, Maynard W. Glumkin, told the Senate Armed Services Committee that the treaty would not impede U.S. efforts to help NATO modernize its remaining nuclear arsenal, despite contrary Soviet claims.

And the committee chairman, Senator Sam Nunn, a Georgia Democrat, urged anew to put a constitutional roadblock in the way of Reagan administration attempts to reinterpret the 1972 Anti-Ballistic Missile Treaty.

On Monday, Mr. Nunn noted assurances from Secretary of State George P. Shultz that testimony such as Mr. Glumkin's would constitute an authoritative interpretation of the treaty.

Similar assurances should apply to other treaties, said Mr. Nunn. He contends that testimony during the ratification of the ABM Treaty during the administration of President Richard M. Nixon requires a narrow reading that precludes advanced testing of space-based missile defenses, such as the U.S. Strategic Defense Initiative.

■ **A Democrat's Strategy**
Robert C. Byrd of West Virginia, the Senate Democratic leader, said it would be unwise to threaten to pull U.S. troops out of Europe to counter pressure inside West Germany for the removal of all nuclear weapons from German soil, The Associated Press reported.

Mr. Byrd said that the Senate delegation he led to Europe earlier this month concluded that "no responsible German official contemplates denaturalizing Germany."



An apartment building in Rio de Janeiro that was ordered evacuated because of mountainside erosion caused by rain.

Rio's Poor in the Path Of Mudslides' Fury

By Marlise Simons
New York Times Service

RIO DE JANEIRO — José Messias, 54, an odd-jobs man, thought he was going home high up on a hillside slum of Rio de Janeiro, but he found his home was no longer there.

Under rubble and mud, his two teen-age sons and his two grandchildren lay dead. Next door, he helped dig out his brother's family, where the children were injured but still alive.

Such scenes were repeated in other hillside towns, like Rio Comprido and Sumaré. Until last week, Lurdes Martins was living in a small home that her husband, a bricklayer, had built over the last two years.

Now Mrs. Martins, with injuries to her face, was holding her 18-month-old son, whose left arm and shoulder were broken by a falling wall. In the dark, it had taken an hour to find the body of her 7-month-old baby.

In the Ferreira Passos School, where 180 homeless people sleep on mattresses, volunteer workers were sweeping the floors. "We are afraid of the rats," one worker said. "They are everywhere."

In one of the classrooms, the survivors of the Messias family huddled with their few belongings stuffed into supermarket bags. Mr. Messias asked a visitor to let him know of any available bricks or wood so he could build a new home.

"The address," he began. "I guess I have no address anymore."

flooded, the destruction was inevitably greatest among the poor.

The new rains that started on Sunday afternoon set off panic, screams and prayers. The downpour made a loud roar on the tin roofs, gushed through the alleys and left the steps carved into the rock face impassable with debris.

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Peres Discloses He Got Offer on Iraqi Pipeline

By Glenn Frankel
Washington Post Service

JERUSALEM — Foreign Minister Shimon Peres has acknowledged that Israel was offered a discount on oil purchases amounting to \$65 million to \$70 million a year for 10 years in return for approving an Iraqi pipeline project.

But he said he did not pass the offer on to colleagues because he did not take it seriously.

Mr. Peres, speaking through an aide, said Tuesday night that the offer was made by Bruce Rappaport, a Swiss financier and a long-time supporter of Mr. Peres and his Labor Party, at a meeting in Israel in September 1985, when Mr. Peres was prime minister. But Mr. Peres again denied that Mr. Rappaport also had proposed paying a portion of the discount to the Labor Party.

Mr. Rappaport was among the investors in the pipeline project, which was to have been built by the Bechtel Group Inc., a major U.S. construction company. The discount to Israel would have been paid by Mr. Rappaport from his share in the profits on the sale of the oil. Israel was seeking assurances that Iraq would not bomb the pipeline.

After the meeting, the aide said, Mr. Peres, at Mr. Rappaport's behest, composed a handwritten letter to U.S. Attorney General Edwin Meese 3d expressing support for the pipeline and asking to discuss the matter with U.S. officials when Mr. Peres traveled to Washington the following month. He gave the note to Mr. Rappaport, who in turn gave it to E. Robert Wallach, an American lawyer hired by Mr. Rappaport.

In a memo Mr. Wallach wrote to Mr. Meese later that month, he told the attorney general of the Rappaport offer to Mr. Peres and added that he had been informed "that a portion of those funds will go directly to Labor."

The memo, released on Monday by Mr. Meese's lawyers, has become the focus of a special investigation into whether Mr. Meese violated federal law by not initiating

an investigation after being informed of a possible attempt to bribe a foreign government.

Mr. Peres and his aides sought Tuesday to staunch any political damage to himself and the Labor Party by insisting that Israel had approved the billion-dollar project nearly a year before Mr. Peres took over as prime minister and that Mr. Wallach was an unreliable participant who, in the words of one Israeli official, "lived in a dream world."

"No new documents were published that cause me concern and I have nothing to say," an angry Mr. Peres said Monday morning. "We all agreed that we favored the laying of the pipeline, so why would anybody need to use bribes?"

But the explanation his aides offered later in the day left many issues unresolved, especially the question of why Mr. Peres did not consider Mr. Rappaport's financial offer serious enough to report to other members of his government and why Mr. Peres nonetheless agreed to circumvent normal diplomatic procedure by writing directly to Mr. Meese about the project.

The Peres aide, who insisted on anonymity, said that since Israel had already agreed to the project, Mr. Peres thought there was no reason for Mr. Rappaport to offer financial inducements.

"He thought this guy is trying to throw us a bait that doesn't really exist," said the aide.

As outlined by Mr. Peres's aides and by a retired civil servant, Haim Bar-On, who is deputy director-general of the Foreign Ministry, was the senior diplomat involved in the pipeline discussions, the project was first presented to Israel in late 1983 by U.S. State Department officials and by Samuel Lewis, then the U.S. ambassador to Israel.

These officials said Iraq wanted assurances that Israel would not attack the pipeline, which was to be built from the Jordanian Red Sea port of Aqaba to Iraqi oil fields.

After consideration, the government of Israel, then headed by Mr. Shamir, said it would not oppose or damage the project.

Despite Spread of 2-Job Families, Women's Work Is Still Never Done

New York Times Service

NEW YORK — Never mind the women's liberation movement and the fight for the Equal Rights Amendment. Never mind that more than half of all married women have outside jobs — up from a third in 1950. Women are still doing most of the chores in American households.

A New York Times survey of 1,870 people shows that among working couples, fewer than one out of five men, but nine out of 10 women, said they do the shopping and cooking.

Men are mending their ways, but slowly, according to an earlier survey by Joseph Pleck of Wheaton College in Norton, Massachusetts. They acknowledged doing 20 percent of all household chores in 1965. This had inched up to 30 percent by 1981.

Even so, women average 30 hours a week on all household chores and men, a mere four to six hours, according to yet another survey, by Ann Weber, a social psychologist at the University of North Carolina.

"It will take a lot longer than a couple of decades to see changes," Ms. Weber reported. Professor Pleck concurred: "The family as an institution changes rather slowly."

On the other hand, Paul Folla of Holmdel, New Jersey, and his wife, Evelyn, both in their 40s, work full time and share the chores about equally. "If my wife is putting in a full day of work as I am, why should I sit down and read The New York Times while she is cooking?" Mr. Folla said.

He said, however, that "most men feel a certain superiority because they are generally the ones in most marriages earning the higher income," adding: "There's a class distinction even in marriages."

Soviets to Start Removing Missiles From 2 Nations

Reuters

BERLIN — Soviet troops will start withdrawing nuclear missiles from two bases in East Germany on Thursday, before the treaty

scrapping them is ratified, the East German Foreign Ministry said.

In Prague, the Czechoslovak news agency Ceteka reported that Soviet forces in Czechoslovakia also would start removing missiles on Thursday.

Wolfgang Meyer, the East German Foreign Ministry spokesman, said it was meant to create favorable conditions for the U.S.-Soviet treaty to eliminate intermediate- and shorter-range nuclear missiles to be implemented and was aimed at boosting East-West confidence.

A similar Western gesture was now expected, he said.

Moscow's elite rocket forces, among 380,000 Soviet troops based in East Germany, are to begin leaving by train on Thursday from Waren in the north and Bischofswerda in the south with a first group of shorter-range SS-12 missiles.

Soviets Plan Monument To Chernobyl Victims

Reuters

MOSCOW — A monument to those who died tackling the disaster at the Chernobyl nuclear power plant will be erected at a Moscow cemetery where some of the victims are buried, the newspaper Moscow News said Wednesday.

Thirty-one people were killed in an explosion and fire at Chernobyl on April 26, 1986, and 200 were stricken with radiation sickness. Most of those who died were firefighters who put out the blaze.

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Herald INTERNATIONAL Tribune

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More Than Arms Control

Something modest, but potentially momentous, occurred during Secretary of State George Shultz's visit to Moscow this week. The United States and the Soviet Union seemed in position, perhaps for the first time, to make some progress on regional disputes and human rights issues as on arms control. For diplomacy to broaden in this way would be altogether sensible, giving the countries' evolving relationship more balance and ballast.

Significantly, Mr. Shultz did not insist that the settlement package include agreement on a new government in Kabul that would include the contending Afghan parties. Mr. Gorbachev did not endorse Mr. Shultz's forthcoming journey to the Middle East, saying that the trip did not take Soviet interests into account. Yet he went on to say that he did not object in principle to "intermediate measures." Moscow is still pointing toward an international conference where it could play a role. But that thought is not far from Mr. Shultz's mind, either.

Sailing Off, Indignantly

On one level James Webb may have acted admirably in resigning Monday as U.S. Navy secretary, but at a deeper level he was wrong. His sense of honor served him better than his judgment. Mr. Webb said he was stepping aside because he could not in good conscience support the cuts the president has proposed in navy spending plans nor continue to serve under Defense Secretary Frank Carlucci, who was instrumental in proposing them. Fair enough; who can criticize a man for giving up high office for his principles? But the cuts that led Mr. Webb to his decision were far from the savaging of the navy budget that he described.

versy is over the intended use of these groups to project American power toward foreign shores. Critics say this is a showy concept and that in wartime the navy would not want to go through with it because the carriers would be too exposed. The protective Reagan-Carlucci budget, to the consternation of some serious critics both in and outside Congress, retains the 15 carrier groups as well as the other basic elements of the expanded navy. The only whiff of retreat on the carriers was a decision to reduce by one the number of naval air wings — each carrier has its own — but there would be reserves to replace this wing in time of need. The navy had to cut planned spending by \$12 billion, but the other services had to cut roughly comparable amounts. Mr. Webb should have been more thankful than indignant.

Attorney General Clouseau

Edwin Meese has not been shown to violate criminal laws, but newly released correspondence shows the U.S. attorney general again behaving like Peter Sellers' inspector Clouseau in the "Pink Panther" movies — a bumbler unable to detect mischief before his very eyes. Letters between Mr. Meese and former Prime Minister Shimon Peres of Israel and two memorandums from E. Robert Wallach, his personal lawyer and friend, portray Mr. Meese as a Wallach pawn. A special prosecutor is interested in Mr. Meese's behavior, and not for the first time. In the Iran-contra scandal, America's lackadaisical top law enforcement officer gave Lieutenant Colonel Oliver North time to shred hundreds of pages of potentially incriminating documents, then failed to question high officials properly. Now he says he was not bestirred to inquire about a memorandum captioned, melodramatically, "For Your Eyes Only" describing a plan to pay the Israeli Labor Party for helping a Middle East oil pipeline project.

charged with peddling influence with Mr. Meese to the scandal-ridden Weidtech Corp. Meanwhile, Mr. Wallach was promoting a Swiss client's interest in a pipeline from Iraq to the Red Sea, invoking his friendship with Mr. Meese to gain the cooperation of Israel's then-prime minister. Mr. Wallach persuaded Mr. Peres to deal with Mr. Meese and, through him, persuaded Mr. Peres to deal with Robert McFarlane, the former national security adviser, rather than with the State Department. According to the "eyes only" memorandum, Mr. Wallach wrote Mr. Meese that for its cooperation, Israel would be paid more than \$65 million a year for 10 years, with part going to Mr. Peres's political party. Mr. Wallach's fee for all this: \$150,000. Is such a plan a crime? That puzzles James McKay, the special prosecutor, but not Mr. Meese. He says he cannot remember reading the \$65 million part of the memo and that, even now, he does not find any hint of a bribe or other crime. Mr. Wallach was a loose cannon, which is why Mr. Meese should have watched him closely. Instead the attorney general was, at a minimum, credulous. His bad memory, inattentive lawyering and unobservant eyes may suffice as a defense in a criminal investigation, but not against the suspicion of insensitiveness and obtuseness. It is justice that should be blind, not the attorney general. — THE NEW YORK TIMES.

Other Comment

Sir Cap Helped Keep It Special The honorary knighthood which Caspar Weinberger, the former U.S. secretary for defense, received from the queen was given because he has been a good friend of Britain. Yet in Britain the special relationship is something that the worldly wise often say does not exist. One reason Mr. Weinberger received [the] accolade was his help to Britain in the Falklands War. Why should he have done so? The administration of which he was a member contained many "hemiphsists" — believers in not offending an

anti-communist regime such as Argentina's in the United States's own hemisphere. But some 40 years after the special relationship was forged, the existence of the hemiphsists' view is less remarkable than the survival of Mr. Weinberger's. It is explained by Britain and the United States sharing common values. Sooner or later, the demands on the American economy will mean fewer U.S. forces in Western Europe, including Britain. Some people will hope this will mean an end to the special relationship. Wiser people hope that it will strengthen it. — THE TIMES (London).

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OPINION

For Israel, the Hour Is Ripe for Negotiation

By Abba Eban

The writer, a former foreign minister of Israel, is chairman of the Knesset's Foreign Affairs and Defense Committee.

PALM BEACH, Florida — The peace journey of Secretary of State George Shultz had a salutary influence even before it began. It has stimulated currents of thought that were previously held in the grip of prolonged inertia.

Israeli opinion is on the move. The number of Israelis who believe that the present military control of the entire West Bank and Gaza can long continue is shrinking day by day. Many Israelis who were complacent in early December are now asking themselves if a nation-state can really exist in any degree of coherence and harmony if it exercises permanent rule over a foreign

Of Israel's options, the most catastrophic is the status quo.

population that does not enjoy even the pretense of equal rights and that is not linked to Israel by any flag, tongue, faith, historic experience, national sentiment or common allegiance.

It is not a zero sum game. The fact that Israeli military rule is rejected by the Palestinians does not mean that it is tolerable for Israel. It is not easy to decide on which of us it weighs most. If there is a mutual self-interest in changing a condition, the hour is objectively ripe for negotiation, and Mr. Shultz's timing is well chosen. His preoccupation must be not with current turbulence but with the larger issues of peace-making. And the central issue for Israel is not the Palestinian cause but Israel's own destiny as a state and a society.

The writing on the wall is clear. If we insist on maintaining the present territorial structure, which may be possible for a time through physical force, we shall have to give up almost every other attribute of our national vision.

If we insist on ruling an entire territory and population (which was never envisioned when we made the dramatic breakthrough to Jewish statehood), we shall soon lose our Jewish majority, our democratic principles, our hope of ultimate peace, the prospect of avoiding war, the maintenance of our international friendships, the durability of the Egyptian treaty relationship and any chance of a national consensus at home.

The status quo is the least viable and the most catastrophic of all the available Israeli options.

An Israeli historian, Shlomo Avineri, writing from the center of our political spectrum, formulated the paradox: "In 1967 the Israeli Army needed fewer than five days to gain control over the West Bank and Gaza. In 1987 to 1988 the same army — much stronger — cannot restore order when faced with stone-throwing turbulent youths. A Greater Israel is not more secure but less secure for Israeli Jews."

A Gesture Can Only Come From Those With Strength

By William Pfaff

PARIS — The internal debate in Israel over yielding land for peace may already be irrelevant as well as irresolvable.

It is irresolvable because Israeli opinion is so deeply divided, with such passions, as to suggest that a reconciliation is possible. Some of those on Israel's political right even threaten civil war if concessions are made to the Palestinians.

Thirty years ago, old hands in the Middle East would assure the visitor that when the predominantly European population of Israel became a majority among the mounting numbers of Jewish immigrants from other Middle East countries, so that Israel became an "oriental" country, a bargain with the Arabs would become possible. Eastern people would know how to deal with other Eastern people, the conventional wisdom said.

The conventional wisdom was wrong. It did not anticipate the influx of ideologically motivated settlers from America, committed to annexation of the West Bank to a Great Israel. Nor could it envisage the rise of a conservative movement in the United States that would identify Israel's invasion of Lebanon and expansion into the occupied territories with U.S. foreign policy interests.

Israel is divided between those who refuse any concession to the Palestinians and profess to believe that beatings and military repression can indefinitely control the Arab population at acceptable moral costs, and a moderate community herelessly split between those who would make territorial concessions for peace and those who want peace but do not believe territorial concessions will bring it.

The people who want to trade land for peace are not likely to have a chance to do so, even if the U.S. secre-

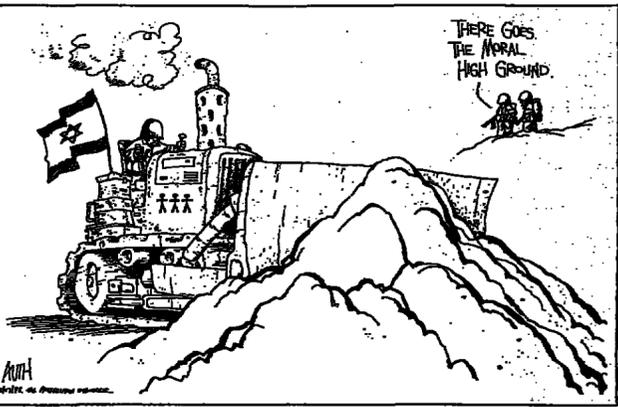
firm in maintaining the heart and spirit of the treaty relationship, even when Israel found itself in military confrontation with Egypt's Syrian, Iraqi, Lebanese and Palestinian kinsmen. Jordan was the pioneer in willingness to negotiate with Israel.

If its leader now requests international auspices for the next negotiating stage, this is exactly what the Israeli government of which I was a member agreed to do in accepting Security Council Resolution 338, in which the present government is committed by its own declaration.

So the spotlight should now be fixed on the Palestinians. If they refuse to consult with Mr. Shultz, they will be true to their worst traditions of never having lost a chance to miss an opportunity. The most urgent task is to promote the election or agreed nomination of a Palestinian leadership without which there can be no solution either of short-term security issues or of long-term peace prospects.

Israel and the United States should join in understanding that what matters is the present attitudes, and not the past biographies, of Palestinian leaders. They should be rigorously put to the test of current intentions, not of ancient ideologies. This means that America would do great service by exploring the Palestinian condition more deeply and in greater detail than Israel, with its particular constraints, is able to do.

The question is whether there is a corresponding move toward realism on the Arab side. The story is ambivalent, which is better than if it were monolithic. Egypt sets the great example and remains



The Next Step Is the Palestinians

By William Pfaff

— should fail. But turn to the Soviet Union for what? The Soviet Union cannot deliver Israeli concessions. Only the United States can do that.

It is a situation that cries out for a great initiative, an act of generosity, transcending hatreds, as Anwar Sadat offered in 1977. An exchange of land for peace might become possible were Israel unilaterally to offer it — and with it, reconciliation, and political recognition of a Palestinian state to be created in collaboration with Jordan, probably with political and security links to Jordan and Egypt, as well as Israel. There would be powerful U.S. sympathy for generous political and economic help to such a solution.

Is Israel politically capable of a great initiative? The question has yet to be posed. Why, indeed, should it have to be Israel that acts? Why not the Palestinians, the Arabs? The an-

swer is that such a gesture comes only from strength. It has to be made by those who have something to give.

Whatever else may come from this crisis, Israelis have been shown that the internal peace of their country is contingent, and that Israel's Palestinian population will have a say in the decisions that determine Israel's future. They will have to be reconciled in some way — or they will have to be expelled, as some Israelis insist.

If they are expelled, they will join the Palestinian diaspora that has existed since 1948, and fuel the hatred that surrounds Israel and the distrust of Israel's leadership that exists among those in the West who ought to be Israel's friends. The insecurity of Israel then will be worse than before. Such is not a serious political choice. But if that is not the choice, is anything left except to search for reconciliation?

International Herald Tribune. © Los Angeles Times Syndicate.

Central America's Century of Turpitude

By Flora Lewis

GUATEMALA CITY — The underlying issue in countries of Central America is not the ideological and security question of the Washington debate, although their high officials have learned to echo it to please Americans. It is whether the region is finally beginning to change, to emerge from what a Nicaraguan anti-Sandinista, Arturo Cruz Jr., has called his country's "One Hundred Years of Turpitude," a play on "One Hundred Years of Solitude" by the novelist Gabriel Garcia Márquez.

There are pessimists and optimists. Both admit they are not sure. In Honduras, El Salvador and Guatemala, the three countries that have restored civilian elected governments after a long history of coups, the presidents are widely criticized, unpopular, mistrusted. They are seen as weak, often corrupt, more dedicated to perpetrating their tyranny or clique than with meeting the country's needs.

Still, the idea of elections has taken hold. There is concern with "national image" abroad, something new, a different kind of pride. The military remains powerful, except in Costa Rica, and rumors of planned coups recur. The top military men do tend to be a new type, better educated, more professional. They say they have learned that it is much better for their institution to leave government to civilians and to consider themselves defenders of the nation, not the day's ruling power. But nobody answers that, yes, they are confident that military takeovers are a thing of the past.

Leftist guerrilla wars continue except in Nicaragua, where the rev-

olutionaries won and face the contra guerrillas. They have subsided somewhat elsewhere, but the fuel remains. Even Costa Rica has what are called "subversive groups," quiescent now but capable of going into action. Even in Nicaragua, with its communist-style structure, the old patterns of control and corruption are resurfacing and the country is foundering under a centralized, willful but inept power.

So much remains familiar, though the names are different. Yet something does seem to be stirring in the region, a yearning to move into what is seen as the more productive, generous, open modern world. Communications have a lot to do with it, and some spread of education, though illiteracy in Guatemala is still estimated at 75 percent, and in El Salvador at 65 percent.

Everywhere people say they are tired of the violence, the insecurity, the obstacles to getting on with their lives and improving chances for their children. Nimeth de Garcia, the pretty, energetic, emotional young woman who heads Guatemala's GAM, or Group of Mutual Support, pours out her grievances against the government and its use of terror, but recoils at the idea of revolution: "Oh no, revolution would mean more deaths and we have had too many deaths already."

Few people speak unreservedly about the prospects of the Aris plan to bring peace and promote democracy in the region. They have had to learn to be cynical. But when the question is put in reverse, the answer is always the same. What if

the plan collapses? The reaction of distress is immediate and intense. Then war would spread and engulf us all, they say — politicians, businessmen, union leaders, teachers, military men, simple workers.

Little attention has been paid to the plan's provision for direct elections to a Central American parliament; the focus now is on whether it will end the war in Nicaragua and strengthen or weaken the Sandinistas. The parliament is a fragile idea, but rooted in old feelings and rising nationalism, an assertion that it is time for Central America to take more responsibility for its destiny.

The countries are mostly conscious of their differences and old disputes. But leaders are increasingly aware that no one of them can pull much weight in the world on its own, and that their people want to feel they count for something. The parliament, which will probably be elected this year, will have no power. It will start only as a forum, a place to display the idea of Central America as a regional entity.

The idea died in the early 19th century, almost immediately after independence from Spain, but it has historical legitimacy and appeal. Most important, the elections will be simultaneous, with uniform rules, setting a standard that could become a model for national elections.

The feeling of dependence is the greatest irritant to Central Americans, rich or poor. There is not much the United States can do about it; even indifference is a kind of intervention. The peace plan is an attempt to make them look more to themselves. That would be the beginning of real change.

The New York Times.

Pinstripes, Primaries And Politics

By Jim Hoagland

PARIS — Everyone loves a happy ending, unless it is planned and consummated by one's political opponents. Then the success of others inspires misery, a kind of reverse Schadenfreude.

The quickening prospects that President Reagan will get a new arms agreement with the Russians and the beginning of a Soviet pullout from Afghanistan in May to highlight his visit to Moscow brings this to mind. Imagine hard-core Democrats, frustrated peace activists and conservative bomb-lappers sinking collectively into depression if Mr. Reagan pulls it off.

While the political primary season grinds on in America, the crowded diplomatic calendar abroad for the next three months could produce a slam-bang finish to the Reagan presidency. The White House must hope this diplomatic offensive will erase much of the public opinion damage done by the Iran-contra affair, while providing a big foreign policy boost for Republicans in the fall campaign.

New week, just as decisive talks on Afghanistan open in Geneva, Mr. Reagan travels to Brussels for what he intends to be a celebration of his policies at NATO headquarters. A series of high-level U.S.-Soviet meetings follow and will be capped by Mr. Reagan's Moscow voyage, probably in mid- to late May. The president then makes his farewell appearance at the summit meeting of the seven industrial nations in June in Canada.

But one does not have to wish ill for the Republican Party or for President Reagan and his suddenly peripatetic secretary of state, George Shultz, to suggest aloud that it may well work out quite differently. What we may be witnessing is the neutralization in 1988 of foreign policy as a major issue for conservatives who have built careers on Soviet-bashing.

It is already coinciding with Mr. Reagan and Mr. Shultz's seeming to achieve Mikhail Gorbachev & Co. of evil intentions around the world (with the exception of Nicaragua, for reasons that they have found increasingly difficult to explain as they deal so successfully with Moscow elsewhere.)

The desire in Washington for the happy ending for this president is palpable. When Angola recently updated a five-year-old proposal to send Cuban troops home under certain quite unlikely conditions, the State Department heralded the move instead of once again minimizing suggestions of flexibility by any Moscow client.

Even a year ago, three months of Palestinian shouting against Israelis would have produced dark hints from Reagan allies in the press or on Capitol Hill that the Russians were surely behind it. Not today, with the Big Red-Basher on Pennsylvania Avenue hearing, seeing or speaking very little evil about the Russian empire.

This is not to suggest that there is a muzzling or a coordination. It is simply that Mr. Reagan's absence from the anti-Soviet firing line lowers dramatically the credibility of the political stance that helped bring him to office.

In 1980, Jimmy Carter underwent a similarly dramatic reversal of attitudes toward the Russians, but in the opposite direction. He failed to grasp that if he hoped to persuade voters that they needed somebody to stand up to the Russians, they would pick Mr. Carter for that job, not Mr. Carter.

Today, as Mr. Reagan and Mr. Gorbachev cooperate in their different ways and for their different purposes in shrinking the Soviet menace in the American mind, a different reaction may set in. If the United States really can trust Mr. Gorbachev, the kind of lessened attention to defense and foreign policy that most of the Democratic nominees suggest they support may become an attractive option.

Mr. Shultz has just demonstrated again in his trip to Moscow how much he and Mr. Reagan feel they can trust Mr. Gorbachev. He accepted a 30-day deadline for work on verification proposals in the Geneva strategic arms talks, and he agreed to roll back to the ambitious formula on the Anti-Ballistic Missile Treaty worked out at the Washington summit meeting but effectively dropped in the Geneva negotiations since then. Both moves recall the L's Make a Deal atmosphere of last spring's INF talks.

The rush to make a big, historic agreement on strategic missiles part of the Reagan legacy hands Mr. Gorbachev increasing leverage as November nears, and as the American candidates size up the public mood on rewriting the ABM Treaty and funding the Strategic Defense Initiative at current levels. Mr. Reagan must be hoping that Mr. Gorbachev does not have an entirely different ending in mind.

The Washington Post.

100, 75 AND 50 YEARS AGO

1888: Morphine Addicts

PARIS — Most doctors believe that if the fashionable poisoning by morphine cannot be stopped, there will be as many morphinomaniacs in ten years as there are dipomanomaniacs today. The greater capitals of Europe, and more especially Paris, are nests of morphinomaniacs. Formerly the enraging disease was confined to the upper crust of society. Now there are cases amongst sailors, cabmen, ladies' maids, tailors, café proprietors and adventurers of all kinds.

1913: Night Visitors

LONDON — The Herald has already given an account of the trials of the military Zeppelin "L.Z.1" which on Saturday (Feb. 22) made a trip lasting 13 hours, and kept up wireless communication with the military station at Carlisle throughout. Several English papers now connect this flight with reports of night visits of strange airships to England.

BRUSSELS — A mysterious dirigible, which it is believed came over the French frontier, has been seen passing over various districts in Flanders during the past few nights.

1938: Austrian Liberty

VIENNA — Outstanding points in Chancellor von Schuschnigg's momentous speech yesterday (Feb. 24) were: "The government as now constituted regards as its obvious duty to defend the liberty and independence of Austria. The entire people of Austria is prepared to fight for this independence. ... There are no Reds, nor Blacks, nor Browns, nor Greens among us, but a united Austrian front. ... In the course of the Bernhades interview, the German Führer declared he recognized the complete sovereignty of Austria. ... At the foot of the Bernhades agreement there is written: 'Thus far and no farther.' We reject the idea of a great National Socialist empire in Central Europe."

Advertisement for Marlboro cigarettes, featuring the text 'Marlboro Perfect' and 'The Perfect Blend' along with an illustration of a man in a suit.

OPINION

Scarlett O'Hara Approach Is a Perfect Target for Dole

By George F. Will

WASHINGTON — When morning flatters the mountaintops on Wednesday, March 9, voters may not know what they did the day before. Democrats who vote on Super Tuesday may determine only the person who would be a Democratic administration's choice as U.S. representative at the United Nations. Republican voters may think they are deciding who shall seize the reins of the "Reagan Revolution," but the most they will determine is who will wear the straitjacket that Reagan policy has tailored for the nation.

On Super Tuesday, while Michael Dukakis, Richard Gephardt and Albert Gore go "cherry picking" (targeting

of "crude populism" and "ugly" and "deluding" xenophobia is this: His record of flip-flops indicates that any professed belief of the moment is just a "marketing tool" that must take a terrible toll on "the sinews of his identity."

Turning to Mr. Dukakis, the new Republican says that his "rigidity" represents neither deep conviction nor great passion, only an "overweening estimate of himself." If Mr. Dukakis believes something, "this suffices as evidence of the rightness of the belief. No arguments, please." Aren't Democrats (in when they fight)?

Aren't Republicans clever when they duck — responsibility, that is. They have devised the ultimate "Southern strategy." With the Reagan administration's new 1989 budget, the Republican Party now stands for the Scarlett O'Hara approach to governance: Let's think about problems tomorrow.

Seven years ago the party stood for two disciplines: strong defense and balanced budgets. The new Reagan budget, which calls for the fourth consecutive year of real decline in military spending, makes Mr. Reagan the trillion-and-a-half-dollar president: That will be his cumulative deficit. In the entire history of the republic, before him, the total deficit was \$914.3 billion.

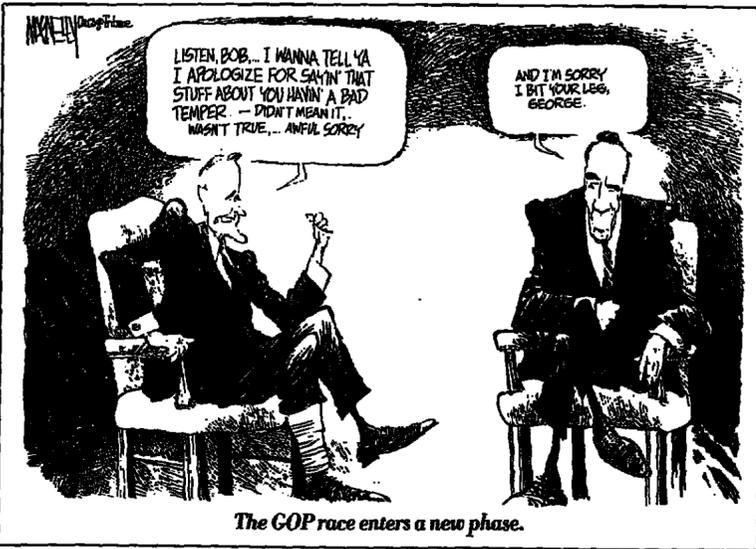
If the new budget is enacted, military spending will have risen 87 percent under Mr. Reagan, but spending generally will have increased 61 percent. Because of the political choices posed by Mr. Reagan's deficits — "wheels chairs or tanks" — this is probable: When the fiscal decade 1981-91 is done, the growth rates for defense and general spending will have converged.

Seventy percent of the budget consists of military (declining), interest (soaring), Medicare and Social Security. Under Mr. Reagan, spending on Medicare and Social Security will have risen 115 and 67 percent respectively. As the population ages and expensive medical capabilities multiply, government will become even more of a machine transferring wealth from young to old.

Under Mr. Reagan, interest payments as a percentage of the budget have more than doubled, to 14 percent. The fiscal 1989 budget envisions interest payments of \$151.8 billion, more than the combined budgets of nine departments — Agriculture, Commerce, Education, Energy, Interior, Justice, Labor, State and Transportation. The biggest change in the budget during the Reagan years is the enrichment of a rentier class, those who live in places like Grosse Pointe and rent their money to the profligate U.S. government.

This regressive transfer of wealth is an issue made for a conservative populist, a hawk on the deficit. But can Bob Dole expand his message beyond that "one of us" slogan? We will know by the time that morning flatters the mountaintops.

Washington Post Writers Group.



The GOP race enters a new phase.

Arrivistes of Arrears Learn Tricks of Nouveau Poverty

By Margo Kaufman

VENICE, California — "Poverty stinks," Bette exclaims when we meet at a faux-Nantucket seafood house in Santa Monica. Is she comparing herself with illegal aliens or the Rockefellerers, I wonder. She is wearing a \$300 orange and purple quilted satin jacket over a \$400 crushed velvet skirt.

"You look like a million dollars," I point out, leaning over the bulkhead of the lifeboat-cocktail table.

"I only made \$800 last month," Bette continues. "I got so depressed I went shopping. And I just happened to strike up a conversation with a shopkeeper who just happened to need someone to shoot a catalogue. She can't pay me in cash, just clothes. Good, huh?"

When I ask, "Does your landlord accept designer sportswear?" Bette reveals that her boyfriend liked the new outfits so much he invited her to share his house rent-free. "You'd be surprised how much money you save wearing expensive clothes."

I'd be shocked. A few years ago I worked in advertising. In addition to an ability to tap-dance verbally around product defects, the job required high credit limits at Ann Taylor, Saks Fifth Avenue and Neiman-Marcus.

"How can you save money on clothes you have to take to the dry cleaners?" I ask. (What do dry cleaners actually do besides charge \$50 for wrapping a white linen suit in a plastic bag in such a way that you can't see the note that reads, "This stain could not be removed?")

"Nothing succeeds like the appearance of success," Bette giggles. The waiter arrives with the bill. She starts biting her French-manicured nails. "Do you have any money?" she asks nervously, passing me the \$5 check. "I'm broke."

Let economists insist that the United States is not in a recession and note that unemployment is at a record low; it still seems that half my friends are nouveau poor. Some lost important jobs; some lost the desire to have important jobs; some lost money in the stock market; some just moved to New York. But all these ambitious, well-educated, once well-heeled professionals are clinging to a life-style they no longer have the means to support.

These arrivistes into arrears economize by letting the \$100 highlights in their hair grow out, by dropping the cleaning service and by canceling expensive health club memberships. (Would aerobic walking be in vogue if people could still afford Jazzercise?) In Los Angeles, Volvo station wagons, turbo Saabs, even Mercedes-Benz convertibles are going unwashed — un-Simonized! — and can be observed skulking outside Pioneer Bakery's discount outlet. Pedigree pug, salukis, great Pyrenees and their sheepish owners line up in city parks for cut-rate vaccinations.

Happily, though, the shabby-genteel are developing coping skills. For example, Lisa, formerly middle class, lowered the cost of living by becoming a devotee of the fine arts. "If you work as a broker you need \$200 shoes and a Brooks Brothers suit," she informed me. "But as an artist you have credibility wearing \$5 dresses from the Salvation Army, beat-up sneakers, old jeans, or all black so everything matches."

Further details of la vie bohème, 1988: "Last night, I went to the City of Angels Brewery. You should see this place. It's architecturally divine, and for 75 cents I got a taster of beer and met the hippest people. Tomata du Plenty was there and Tequila Mockingbird. Then I rolled right along to a series of art openings, all of which served free food and wine. You should come with me sometime."

When I protest, "I can't handle Tequila. Let's go to the Getty," Lisa says: "Perfect. For a buck fifty we can see two thousand years of beauty."

Wendy, on the other hand, earnestly insists she's not nouveau poor, she's one of the landed poor. For years, on an income of about \$1,000 a month, she has been living in an apartment that rents for \$550 a month. The apartment, a hundred feet (30 meters) from the beach, is easily worth more than half her income, if only for the subtle value when she goes on vacation.

"Banana Republic's having a sale," she reports when I catch her roller-skating down the boardwalk to a beachfront cafe for her morning croissant. "Did you get anything?"

"I got jealous."

Of course, Wendy, an actress turned journalist, has the kind of looks that can make a horse blanket and a pair of boots from army surplus look like something out of a Ralph Lauren ad. She stays trim on a low-cost diet of croissants and popcorn. "I don't want to be rich," Wendy says, "because I can never be rich enough to make a difference."

Most of the déclassé, however, tighten their fraying Judith Leiber belts and wish for the good old days when it didn't matter how much Maud Frizon shoes, movie tickets or a six-pack of Diet Coke cost. Like the newly sober, they regard with disdainful suspicion people who still have what they do not.

buoyed by an inherent sense of entitlement, they cling to the hope that insolvency is just a temporary setback.

Comforted by artifacts from a former life — the compact disk player, the sterling flatware for 12 that you can't sell for \$300 but you can insure for \$3,000 — the nouveau poor wait for their ships to come in again. This sets them apart from the real poor, who have reason to believe their ships have sunk.

Now, if you'll excuse me, I have to get down to the dock.

The New York Times.

LETTERS TO THE EDITOR

Waldheim: Questions of History, Morality and Evidence

In reaction to accusations that foreign influences are maintaining the controversy surrounding President Kurt Waldheim of Austria, I, as a foreigner, would like to state a position.

Those of us who were born after the war, both in Austria and the United States, clearly recognize that to have actively or passively supported the Nazi regime was simply wrong. It was wrong for the person who later became a quiet carpenter, it was wrong for the person who later became a statesman. It was wrong then, but it is right for those people now to admit it.

It is wrong to dupe one's fellow man. It is wrong to use one's international reputation as qualifying credentials for a position of international prestige, and then to systematically ignore international opinion when it is established that, in the competition for that and other positions, truths were hidden and untruths were proclaimed.

By repeatedly dismissing accusations against him as slander and pressure from the outside, rather than frankly addressing the fundamental question of his honesty, Mr. Waldheim is only encouraging his fellow countrymen to take refuge in petty chauvinism and to have contempt for an international opinion that so highly values the historic achievements of Austria.

Edgar M. Bronfman, in his opinion column "Waldheim: His Lie Is Only a Symbol of Austria's" (Feb. 16), gets

which contains no evidence that Mr. Waldheim was guilty of war crimes yet concludes that he may nevertheless be condemned on moral grounds. The basis for this conclusion is that Mr. Waldheim "knew" of the existence of criminal activities by the German forces, but took no "steps against injustice."

Yet what alternatives would a staff lieutenant in his early 20s, without command authority, have had other than to be exposed, through no choice of his own, to information about criminal activities within his unit's area of operations?

The historians' report recognizes this by conceding that Mr. Waldheim's "practical possibilities of opposing action were very slight." It might have been fairer to say that they were nil.

The Austrian people may conclude that Mr. Waldheim's concealment of his Balkan years makes him unfit to continue as president, but their decision should not be influenced by unproven and unsupported accusations.

HAROLD H. TITTMANN, Brussels.

Why have there been no IHT editorials demanding that the U.S. Justice Department files, the World Jewish Congress files and other purportedly incriminating documents be made public? I fail to understand the reasons for holding back such files while at the same time leaking many details to the press.

It must be obvious that the Austrian government and people will continue to be reluctant to act on undocumented charges from outside.

ALBERT H. J. MUELLER, Vienna.

GENERAL NEWS

Afghan Rebels Suspect U.S.-Soviet Deal

By Henry Kamm

New York Times Service

ISLAMABAD, Pakistan — A principal leader of the Afghan guerrilla alliance brought into the open Wednesday night the guerrillas' smoldering resentment of what they believe to be U.S. collusion with the Soviet Union to reach a compromise over Afghanistan.

The leader, Gulbuddin Hekmatyar, of the Hezb-i Islami party, accused the United States of being "in conspiracy" with the Soviet Union.

His statements came on the day that a U.S. undersecretary of state, Michael H. Armacost, arrived in Pakistan to brief the government on U.S. negotiations with the Soviet Union.

Mr. Hekmatyar, regarded as the most militant and politically astute guerrilla leader, stepped out of the ranks of the alliance by openly accusing the United States, but he voiced an attitude that is shared by all seven parties.

It is assumed by the guerrillas that Mr. Armacost will express the U.S. hope that Pakistan will use its diplomacy to bring about Moscow's fulfillment of its offer to withdraw from Afghanistan this year.

The seven-party guerrilla alliance has refused to meet with Mr. Armacost, who is scheduled to leave for India on Thursday. Mr. Armacost arrived on Wednesday morning after having accompanied the U.S. secretary of state, George P. Shultz, on his visit to Moscow.

The refusal to see Mr. Armacost is an expression of their resentment of what they believe to be a U.S. deal with the Soviet Union to conclude an agreement that does not assure their principal goal. That goal is a transitional government under the control of the guerrillas as a prerequisite for an accord between the Communist government in Kabul and Pakistan and the withdrawal of Soviet forces.



Gulbuddin Hekmatyar, the Afghan guerrilla leader, charging Wednesday that the United States was "in conspiracy" with the Soviet Union on a compromise to end the fighting in Afghanistan.

On Feb. 7, Mikhail S. Gorbachev announced that Moscow would begin withdrawing its 120,000 troops on May 15 if by April 15 Pakistan and the Kabul regime have reached agreement in their indirect negotiations in Geneva under UN auspices. A new round is to begin March 2.

Mr. Armacost's meetings in Pakistan and Mr. Hekmatyar's statements before an audience of diplomats and journalists underline the conflicting pressures on Pakistan. The Pakistani president, Moham-

med Zia ul-Haq, has responded to Mr. Gorbachev's proposal by demanding that a transition government be formed to maintain order before Soviet troops withdraw.

The alliance has announced a formal transitional government to replace the Kabul regime before an accord can be signed for the withdrawal of Soviet troops. The proposal is the alliance's reply to the Soviet withdrawal offer.

But although the proposal allows seven cabinet posts in the interim government to "Moslems presently

serving in Kabul" and seven to refugees living abroad, it also specifies that "the supreme body of state" will comprise the seven alliance leaders. The wording appears to leave no room on this "Grand Council" for members of the Kabul government.

Pakistan says it fears that civil war in Afghanistan is unavoidable if the Afghan Army and the guerrilla forces face each other without the presence of the Soviet troops and without a reconciliation.

The United States, although expressing sympathy with that view, says it believes Pakistan should not incur the risk of delaying or preventing the troop withdrawal that Mr. Gorbachev offered.

Of the Soviet offer, Mr. Hekmatyar said, "I don't believe Gorbachev did it unilaterally or without a deal with Washington."

He added that "a conspiracy" existed to form a government acceptable to Washington and Moscow led by men who had not participated in the "holy war."

The guerrilla alliance leader, Mohammed Yunis Khalis, reportedly told Representative Charles Wilson, Democrat of Texas, earlier this month that U.S. military aid to the guerrillas had been reduced after the Gorbachev proposal.

Mr. Hekmatyar said it was "very likely" that the United States and Moscow had agreed to turn to King Mohammed Zahir Shah to play a leading transition role. Deposited in 1973, King Zahir Shah, 73, lives in exile in Rome.

Mr. Hekmatyar said the U.S. stand "shows me that in the United States the lobby that thinks a Communist government would be better than a mujahidin government has succeeded in its mission."

Asked why the guerrillas had not confronted Mr. Armacost with their views, Mr. Hekmatyar replied, "I hope it is sufficient to have made our stand clear through the mass media."

DOONESBURY



By Charles Schulz

Advertisement for Amsterdam Schiphol airport. Text includes: 'Amsterdam Schiphol is expanding to get better than best', 'How can you be better than best?', 'Amsterdam Airport Schiphol. KLM's home-base. Voted year after year, in survey after survey, the world's best airport. Yet they have embarked on a ten-year master plan. To get even better. The first stage is completed: a totally new C-pier. To handle comfortably and smoothly the increasing number of wide-body flights. And for the rest? Well, Schiphol remains the best. The one-terminal concept. The moving side. The Reliable Airline KLM Royal Dutch Airlines'

By Margo Kaufman

SCIENCE

Subtle Clues Can Signal Perilous Aneurysms

By Lawrence K. Altman
New York Times Service

FOR months, maybe even years, Senator Joseph Biden Jr. of Delaware carried a silent time bomb in his head. Two weeks ago it almost killed him.

For some time, he had suffered from neck pain attributed to a pinched nerve and a viral infection. Senator Biden, a Democrat and chairman of the Senate Judiciary Committee, wore a neck brace in January during hearings on the nomination of Anthony M. Kennedy to the Supreme Court. He was too ill to vote on confirmation.

Shortly after the vote, the pain lessened. But by Feb. 8 it returned, with nausea. It worsened for a few days and the senator entered a hospital in Wilmington, Delaware, for tests. Within hours, he was moved to Walter Reed Army Hospital, where he underwent a six-hour operation. The pain had been diagnosed as a life-threatening aneurysm, a leaking artery at the base of his brain.

Some patients do not survive this kind of surgery. Some may suffer crippling strokes and other devastating complications. Senator Biden appears to have been lucky.

Peter Esker, a spokesman for Walter Reed Hospital, said Monday that the senator's condition was good and that the hospital expects he will be discharged this week. There was no residual bleeding reported from the aneurysm.

Aneurysms, like bulges in an aging inner tube, are ballooning of an artery wall. Almost always, they develop slowly and painlessly, but they can burst with no warning, causing a medical catastrophe.

Sometimes, as the Biden case seems to illustrate, aneurysms give warnings. If doctors can spot the clues and act quickly, they can repair the aneurysm before it breaks.

Senator Biden had what doctors call a berry aneurysm, because it resembles a berry. They appear on



Left, X-ray view of berry-shaped cluster of an aneurysm in the brain (at top); right, the shrunken aneurysm after clip was inserted through surgery.

the arteries that nourish the brain, often where the arteries branch, abetted by normal thinning of artery walls, added turbulence in the bloodstream and other factors.

But aneurysms can appear in other forms and in other parts of the body. The aorta, the main artery leading from the heart, is a common site; a burst aneurysm there can kill almost instantly.

However, as in many cases, Senator Biden's aneurysm heralded its presence by the neck pain, apparently caused when the aneurysm began to leak blood. Such leaks are

often followed in a few hours or days by a blowout of the artery.

The leaks send blood into the subarachnoid space, the thin, fluid-filled area between the brain and its protective lining, the meninges. The blood irritates the meninges, causing the type of pain and stiff neck that occur with meningitis.

Trapped by the rigid skull, large amounts of blood can compress the brain, destroying vital areas. Survivors are often left paralyzed, mentally impaired or unconscious.

Unless a berry aneurysm is detected on an X-ray taken for another

purpose (a rare occurrence), doctors can do little to prevent the initial leak and the damage from it. But if doctors are astute, they can swiftly perform emergency surgery to prevent more severe bleeding.

The chief tools are careful questioning of the patient about the symptoms and how they developed, physical examinations, and special X-rays called CT scans and cerebral angiograms.

CT scans, for computerized tomography, rely on computers and X-rays to give clear cross-sectional pictures at different levels of the

brain. Angiograms are X-rays made after a chemical is injected into the blood through a tube in a leg vessel and threaded to the upper part of the body.

Although doctors knew about berry aneurysms for centuries, it was difficult to diagnose them until the doctors developed cerebral angiography in the late 1920s.

Berry aneurysms vary in size from a few millimeters to more than an inch in diameter. Larger berry aneurysms tend to burst more often than smaller ones. They can break at any age, though rarely in the first decade of a patient's life.

The site of the berry aneurysm generally governs the signs and symptoms produced.

About a third of patients experience an unusual, intense headache a few days or weeks before the aneurysm breaks.

The intensity of the headache may subside over several hours or days, or disappear. The headaches may be accompanied by nausea and vomiting. Depending on the severity, location and course, the headaches are often mistaken for something else.

In retrospect, it can be easy to realize a headache was due to a leaking aneurysm, said Dr. Robert H. Wilkins, who is chief neurosurgeon at Duke University in Durham, North Carolina. But he added that because such a tiny fraction of all headaches are due to berry aneurysms, it is not practical for doctors to order CT scans for everyone with headaches.

Over the years, doctors have developed a variety of operations to repair berry aneurysms. Though the risk of death remains high — the percentages vary with the condition of the patient and the location of the berry aneurysm — the success rate has risen along with improvements in anesthesia, nursing and care of the critically ill.

The time-honored treatment is to put a clip at the stem of the berry

aneurysm to prevent blood from gushing out of it if it does break.

Years ago, only easily visible small aneurysms could be clipped. Today, neurosurgeons peer into the brain with microscopes to tackle berry aneurysms in locations that once were inaccessible.

Surgeons and engineers have developed a variety of clips that can be put in many more places. Too much manipulation of the clip can cause the aneurysm to break before it is secured. Many clips are spring types; the closing force is also important, because if it is too weak, it may not seal a large aneurysm. The clip is usually left in the brain. If it is loose, it may leak or slip soon after the operation.

An alternative therapy is to shut off the parent artery, risking a diminished flow of oxygenated blood to areas of the brain. Doctors can also wrap muslin, plastic or connective tissue taken from another area of the body around the aneurysm to seal it.

A new technique, devised by a Russian physician, employs a balloon that is carefully positioned to plug the aneurysm. The procedure may spare some patients from major surgery.

Dr. Alejandro Berenstein, a neuroradiologist at New York University who is one of several doctors in the United States testing the procedure, said doctors perform it by inserting a tube through the skin into an artery in the leg. The tube has two deflated balloons that are guided to the aneurysm in the head.

American doctors have used the Russian technique on about 100 patients whose berry aneurysms have proved too difficult to repair with clip operations.

"We're still in diapers on this technique," Dr. Berenstein said, but he expressed optimism that it would be used on more patients with berry aneurysms and lead to other new therapies for difficult-to-treat problems in blood vessels.

IN BRIEF

Panel Links Disasters to Sleep Cycles

SAN DIEGO (LAT)—A blue-ribbon scientific panel has found a link between the brain's sleep processes and some human-error disasters. While the panel did not find a cause-and-effect relationship between drowsiness and disaster, it concluded that "it appears to be more than coincidental" that four major nuclear accidents, including Chernobyl and Three Mile Island, occurred in the post-midnight hours. Last-minute decisions on the ill-fated Challenger launching were also made before sunrise.

"We felt as a committee that we did not want to cry wolf, but we did want to suggest that the body has its limits," said Dr. Merrill Miller. Dr. Miller noted that the human errors that led to the nuclear accidents occurred between 1 A.M. and 4 A.M.

The report notes that the body's brain processes that control alertness produce an increased tendency to sleep between 2 A.M. and 7 A.M., and between 2 P.M. and 5 P.M., even if a person has slept normally. The panel recommended stricter government regulation and labor management policies on the issues of sleeplessness and fatigue.

Venom is Potential Stroke Treatment

CINCINNATI (AP)—An extract of snake venom shows promise as a treatment for stroke victims, according to researchers looking for ways to dissolve blood clots before brain damage can occur. The treatment, called anecrod, is derived from the venom of the Malayan pit viper.

"This is a drug that shows potential," said the study's director, Dr. Charles P. Olinger, of the University of Cincinnati. Until now, there has been no treatment for strokes in the first hours after they occur, although experts believe that the brain tissue could be saved if the clot somehow went away. In the study, 10 victims received injections of anecrod shortly after the start of their strokes, while 10 others got dummy shots.

After moderate strokes, people who got anecrod scored three times better than the comparison group. Those who received the treatment continued to improve more quickly than the others. Dr. Olinger said anecrod appears to prompt the body to produce its own TPA, which is a natural clot-dissolving substance.

Bits of the Moon Found in Antarctica

CAMBRIDGE, Massachusetts (AP)—After making annual trips to Antarctica for 15 years to search for meteorites, scientists have found that, of more than 7,000 discovered, six came from the moon and maybe one from Mars. "It has always been assumed that a lot of material should be falling off the moon from meteoritic impact," said Ursula B. Marvin, a geologist at the Smithsonian Institution's Center for Astrophysics.

American scientists have found one of the lunar meteorites — a plum-sized rock weighing about four grams (0.14 ounces) in January 1982. Japanese teams found the others. They found it closely matched bright materials returned by the Apollo 15, 16 and 17 moon flight crews. Scientists are "building a case" for Martian origin of a meteorite found in 1979. The fragment seems to match no other source in the solar system.

The Complex Role of the Skin

By Harold M. Schreck Jr.
New York Times Service

SCIENTISTS are finding that human skin, far from being just a waterproof wrapper, is a surprisingly complex organ that produces or remodels hormones, enzymes and other substances that may have vital effects throughout the body.

Some functions of skin cells appear to supplement the liver, the body's main chemical processing plant. The skin, the body's largest organ, also appears to act closely with the immune defenses.

The picture of the skin's functions has been changing rapidly in recent years with the help of better techniques for growing cells in the laboratory and better tests for detecting and analyzing a cell's chemical products.

The latest findings, some reported by scientists at a meeting in New York City last week, may help explain why it is so difficult to save some people who have suffered serious burns. It may also explain why some drugs act differently in the rodents in tests than in humans,

and perhaps even why Homo sapiens got along so well in the early years of the species without the fur that covers all other mammals.

In a severe burn, for example, some of the skin's biochemical functions may be lost, creating problems that go beyond the loss of the skin as a barrier to the outside world. Moreover, human skin differs biochemically from that of mice and rats.

As to the evolutionary question, human skin has potent chemical and immunological as well as physical defenses; these may have given early humans a powerful defense against infections and other invasions through the skin even in the absence of fur.

The skin's outer layer, the epidermis, is made almost entirely of cells called keratinocytes in various stages of growth, development and senescence. The cells on the surface itself are dead keratinocytes called squames that continually slough off as new cells replace them.

Cells deeper in the epidermal layer — basal cells and spinous cells — grow, reproduce and differentiate in response to influences from the outside world and chemical signals from neighbor cells and others deep in the body.

It used to be thought that the main, almost the sole, function of the epidermal cells was to provide a physical structure that helps give the body shape, preserves it from drying out and protects it from a multitude of assaults from the outside world.

Few metabolic functions of epidermal skin cells were known, except for the skin's role in helping produce vitamin D (which is really a hormone that strengthens bones and has other important functions).

"We used to think of keratinocytes as cells that responded to signals," said Dr. Leonard M. Milstone of Yale University and the West Haven Veterans Administration Hospital. Now, he said, scientists are coping with the novel idea that these cells play active "effector" roles in body chemistry, too. An effector cell, in Dr. Milstone's definition, is one that alters the behavior of another cell.

The skin cells are also capable of reprocessing the thyroid hormone into its most biologically powerful form. In addition, epidermal cells produce several of the substances, such as interferons and interleukins, known to be important to the immune defense system.

Research with important implications was reported by several scientific teams at the New York City conference.

Dr. Yann Barrandon's group at the Harvard Medical School reported that they had successfully transplanted a gene for human growth hormone into laboratory cultures of skin cells and found that the genetically engineered tissue produced and secreted the hormone. The findings suggested that the use of skin cells might be a worthwhile strategy for attempting gene therapy, but left questions as to how well the hormone would be delivered to other parts of the body.

Dr. Lorne B. Taichman of the State University of New York reported that skin cells growing in the laboratory produce apolipoprotein E, a substance made primarily by the liver that has an important role in the body's use and breakdown of cholesterol. The skin makes only about one-fiftieth as much of the substance as the liver does, and the role of the skin's production is unknown.

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APOLLO

ADVERTISING SECTION

ADVERTISING SECTION

KUWAIT

As the overall economic scene improves, the financial institutions are looking forward to increasing stability.

AFTER two of the most testing years in its history, Kuwait has emerged stronger and more confident than at any time since its independence in 1961. Having survived recession, financial turbulence, security threats and the suspension of its national assembly, the emirate can review this achievement with justifiable pride.

Some problems do remain, including the snowball effect of reduced oil prices and the much more intractable Iran-Iraq war. Yet the fact that the administration has been resolute in meeting its economic and political challenges has done much to consolidate both domestic and overseas confidence.

Kuwait's determination to maintain its oil exports has been reflected in skilled diplomacy directed toward the East, the West and the rest of the Arab world. This approach has won general support for Kuwait's commitment to its territorial integrity and the protection of its national assets.

One of the most dramatic examples has been the reflagging of Kuwaiti oil tankers and gas carriers. Restoring formal diplomatic relations with Egypt has also made it clear that powerful backers in the Arab world are potentially available if the Gulf conflict should threaten to embroil Kuwait. The emirate can rest secure in the knowledge that its friends in the region and elsewhere are prepared to support her sovereignty in the face of external threats from whatever source.

Meanwhile, since 1986, international confidence in Kuwait's financial structure has been increasing. This, in part, reflects the Central Bank's success in dealing with the problems caused by the collapse of the unofficial Souq al-Manakh share market. Observers agree that the recent recovery in economic activity, albeit on a more modest scale than the speculative and expansive era of the late 1970s and early 1980s, is built on firmer foundations and therefore more sustainable.

Loan interest ceiling lowered

Strict controls and guidelines have helped restore confidence in the stock market. The Kuwaiti dinar bond market has been successfully reactivated for foreign borrowers after a five-year moratorium, following a lack of liquidity caused by the Souq al-Manakh crash. A sure sign of economic

recovery, designed to stifle any lingering doubts that the private sector might have, was last year's cut of the Central Bank's loan interest ceiling from 10 to 7.5 percent.

The government program to deal with non-performing loans nearly choked the financial system. It involved rescheduling difficult loans over periods of up to 15 years at nominal or no interest, with the government compensating banks for the resulting loss of profits. Yet it has proved to be the most dynamic aspect of a government economic policy that has given local banks new confidence to pursue fresh business rather than remain preoccupied with the daunting prospect of fighting for survival. The Central Bank is also encouraging commercial banks to take a more active role in regional finance. Kuwait, with a wide range of instruments, has the potential to become a thriving financial center and the stockmarket revival reflects this trend.

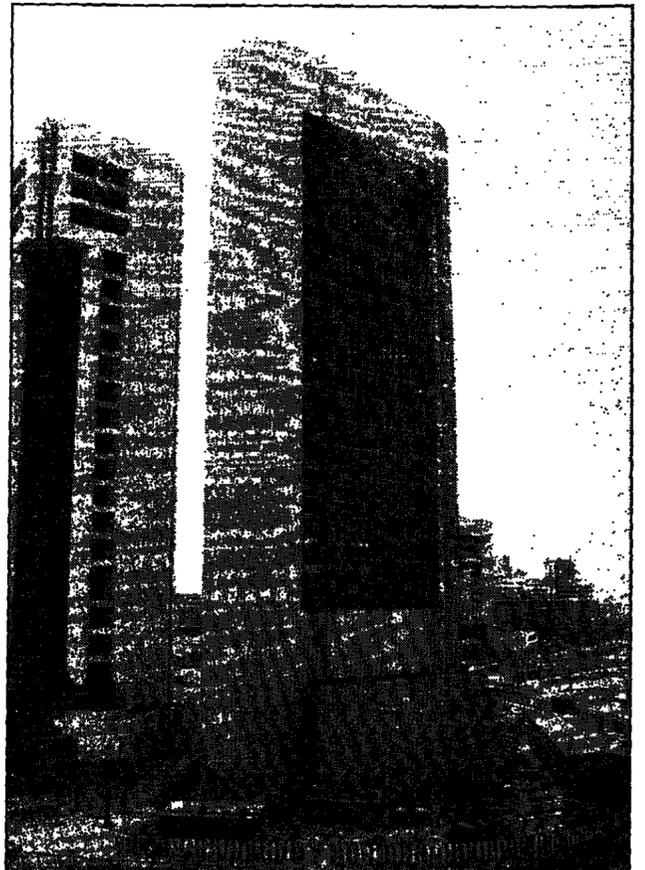
Increased state spending on construction

Despite the economic recession that has put an end to the free-spending days of the past, the government has still shown itself willing to fund a significant degree of economic activity. State spending on construction, a key sector, is 15 percent higher for 1987-88 than for the previous year. Interest is currently focused on major new projects including a university campus planned to accommodate 20,000 students at Shaddiya, utilities expansion schemes and new offices for the Amir, Crown Prince and Council of Ministers.

The present national plan for 1985-90 aims to maintain gross domestic product growth at 3.9 percent, accelerate development in the non-oil sector and hold down public expenditure. Particular attention is being paid to the development of human resources, the expansion of the private sector and the development of managerial expertise. The plan also envisages establishing a balance between the number of Kuwaitis and expatriates in the country by the year 2000.

The plan is a flexible document and its original financial assumptions have been modified by the effects of falling oil prices and the escalation of the Iran-Iraq war. But its central direction remains unaltered. For Kuwait's national income is not solely dependent on crude oil sales,

The headquarters of AlAhli Bank, one of Kuwait's newest buildings.



important though they are.

By 1985, refined product exports had exceeded crude exports in volume terms. More than 50 percent of Kuwait's oil production is now refined in Kuwait while a number of hydrocarbon-related industries have been set up to produce fertilizers and petrochemicals. Last year's \$4 billion overhaul and extension of Kuwait's refineries has given the Kuwait Petroleum Company (KPC) sufficient capacity to refine over two thirds of its current one million barrel per day OPEC quota.

Meanwhile, with investments covering everything from the wellhead to filling stations, KPC is intent on becoming OPEC's first multinational integrated oil company — a strategy that underlines KPC's increasing importance as the "eighth sister" among the world's oil majors. Kuwait now markets its oil products throughout Europe under the increasingly familiar QS logo.

Oil and derived products are clearly of the greatest long-term importance to Kuwait. But they are by no means the only components in the emirate's earning potential.

Kuwait's massive overseas investment portfolio is estimated to be worth \$80-90 billion. The income this generates has softened the impact of reduced oil revenues and recession and its skilled management has earned Kuwait considerable international respect.

Since last October, when Black Monday marked the start of a bear market on international stock exchanges, the value of Kuwait's holdings have fallen by a mere 10 per-

cent. At the end of last year, Kuwait Investment Office's general manager Fouad Jaffar commented: "The KIO has fared well since the crash and the decline shown in the stock markets. We felt that the stock markets were overvalued, and we were well positioned when the crash came."

A stake in British Petroleum

As world equity markets were thrown into disarray by sudden downward price spirals, the Al Shall index for the Kuwait stock market dropped only 1.19 points to 40.70, 5 percent up on the level of the index at the end of 1986. Further evidence of the undiminished strength and shrewdness of the Kuwait Investment Office has come with its steady acquisition of one-fifth of the equity in British Petroleum. Staking a claim in the non-communist world's third largest oil company is, for Kuwait, merely the continuation of an established policy that seeks to find long-term investments rather than short-term gains.

— Anthony Richard

BRIEF

Disturbances to Sleep Cycles

A ribbon scientific panel has found a link between some human error disasters, a cause-and-effect relationship between them. It appears to be more than clear accidents including Chernobyl and the post-midnight hours. Last-minute major accidents were also made before we did not want to cry wolf, but we did as it turns out," said Dr. Merrill Miller, Dr. Miller said that led to the nuclear accident.

Stroke Treatment

Research shows that control elements of sleep between 2 A.M. and 7 A.M., and if a period has slept normally. The panel also recommended labor management and safety.

Found in Antarctica

After making annual trips to Antarctica, scientists have found a meteorite in the region. The meteorite was found in a field of material. The meteorite was found in a field of material. The meteorite was found in a field of material.

f the Skin

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Integration Strategy in Oil Sector

AS one of the first OPEC states to establish a sophisticated oil sector, Kuwait has displayed a confident stance in the face of volatile oil markets and revenues.

The emirate clearly knows the long-term value of its assets. It possesses the world's second largest proven oil reserves, with its main Burgan field having reserves of more than 57 billion barrels. In 1983, with production running at 1.05 million barrels per day (b/d), Kuwait's reserve to production ratio was estimated at 174 years, higher than any other OPEC member.

The confidence factor has also been boosted by Kuwait's ability to adapt rapidly. Its strategy of integration and diversification began when the Kuwait Petroleum Corporation was set up as an umbrella organization for the hydrocarbons sector in 1980.

KPC coordinates the activities of four companies — the Kuwait Oil Company, which is responsible for production; the Kuwait National Petroleum Company, which operates the refineries; the Kuwait Oil Tanker Company; and the Petrochemical Industries Company.

Downstream oil and gas activities are Kuwait's most important industrial sector. Apart from refineries, they include a fertilizer production complex, a salt and chlorine plant and a liquefied petroleum gas plant.

Looking toward the long term, despite severely depressed world prices, a

mammoth KD 1.32 billion (\$4.8 billion) program was undertaken to modernize the Mina Al Ahmadi, Mina Abdullah and Shuaiba refineries. Now complete, it raises refined products production capacity to some 700,000 b/d, over two thirds of existing oil production. Because the plants are interconnected, KPC is able to vary its output according to market demand.

A more recent aspect of the integration strategy has been the pursuit of a broad marketing base and retail outlets for Kuwait's oil products. Gaining influence by acquisitions and major shareholdings overseas has helped smooth the path. KPC's \$2.5 billion purchase of the US Santa Fe oil service company and its engineering subsidiary, C.F. Braun, established a fully integrated company that could handle every aspect of the oil business.

Since the purchase, in late 1981, Kuwait Santa Fe Braun has undertaken substantial work on the Mina Abdullah refinery as well as the project management of a gas pipeline from Iraq's southern Rumaila oilfields to Kuwait.

A marketing deal with Hoesch allows the West German company to distribute Kuwait's ammonia production through its own network covering over 100 countries.

The possession of retail outlets serves a twin purpose, guaranteeing markets for crude oil and its higher value derivatives. KPC's 1983 purchase of Gulf Oil's Benelux assets, followed by

those in Italy a year later, secured a significant overseas foothold at minimal cost.

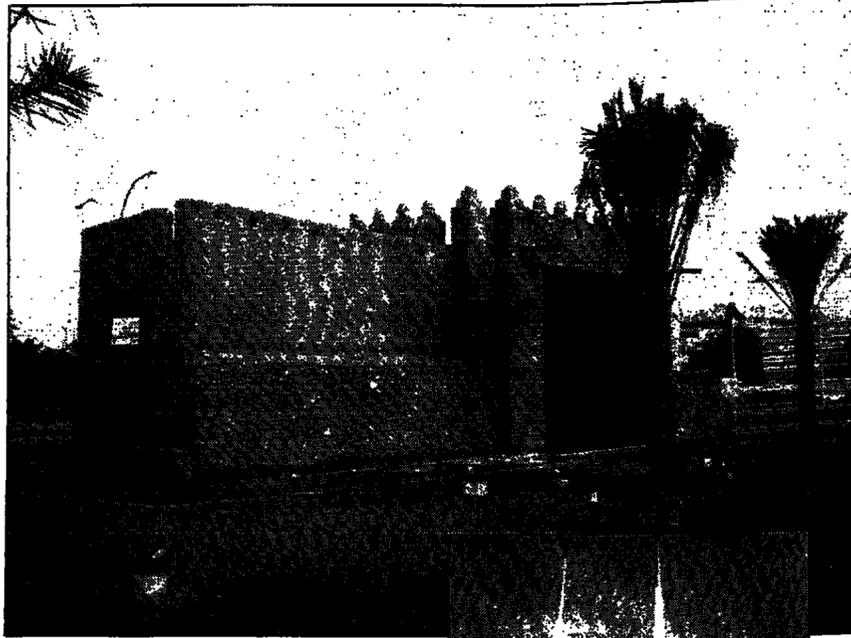
The Q8 logo, now familiar in European filling stations, symbolizes KPC's strenuous efforts to build up its retail network. This currently comprises over 3,000 petrol stations, two bulk terminals, two blending plants, a 75,000 b/d refinery at Rotterdam's Europort and a 54,000 b/d refinery at Skaelskor in Denmark.

KPC's European outlets distribute and market nearly 250,000 b/d. London-based Kuwait Petroleum International, which oversees KPC's European downstream operations, is aiming at an eventual average retail presence of 5-7 percent.

The maintenance of Kuwait supplies to overseas markets is stressed in plans, already agreed upon in principle, for either a crude oil pipeline or products and oil pipeline through Saudi Arabia to the Red Sea coast. An oil storage complex which would link with this has also been discussed for Ameriya in Egypt.

Gas shortages have also been addressed. Last year's completion of a gas pipeline from Iraq has enabled Kuwait to take up to 400 million cubic feet of gas per day, including 40,000 b/d of condensates. The gas will be used by the Ministry of Electricity and Water's power and desalination plants and as a feedstock to some industries.

—A.R.



Hotels Offer Extensive Range of Facilities

AS hotels compete ever more fiercely for custom, the quality of service and variety of attractions they offer to businessmen has changed noticeably over the past two years. Nearly a dozen international hotels now provide wide-ranging facilities, from business services — secretarial skills, word processing and communications — to sophisticated leisure pursuits, health and sports clubs.

The Kuwait Regency Palace emphasizes both food and fitness. It is also one of the first hotels in the emirate to join the exclusive Leading Hotels of the

World reservation group. "We make a point of using no convenience foods, no canned foods and only the best fresh fruit," says the management.

The 60-chef kitchen caters to all tastes: Continental and Arabic foods as well as Indian and Thai cooking. The hotel frequently calls on guest chefs for special occasions and for the theme weeks that have become stock-in-trade attractions. For the very large receptions and other functions which make up some 60 percent of its catering business, the hotel can prepare banquet-style luncheons and dinners for up to 2,000

guests. The hotel is equally proud of its fitness and exercise center, which has more than 700 members, 80 percent of whom are Kuwaitis. Sometimes the summer weather can be unbearably hot, so the hotel has four air-conditioned tennis

courts inside, as well as squash courts and a couple of racquetball courts. It also boasts one of the few inside jogging tracks in the Middle East. Like several other hotels, the Regency is set away from the city center on Bida

One of Kuwait's traditional old entrances (top); and the Towers, Kuwait's best-known landmark.

Beach. For a nominal charge, the hotel will provide a car and driver to help businessmen make their downtown calls.

The well-known SAS hotel has tackled the same problem by opening a City Lounge near the joint banking center. This provides a welcome respite for businessmen who need a temporary base. Normal business and catering services are available. More recently, SAS has introduced a general lunch-time menu for guests using the lounge.

Nor has it neglected fitness. The new SAS Club has four tennis courts, four squash courts and offers a subaqua diving school along with other water sports facilities on its own private beach.

SAS also has some of Kuwait's star restaurants, which are popular with residents and visitors alike. In particular, its Al-Boom — a specially built dhow set in its own dock — should not be missed. Nor should the Chinese Peacock Room, rated by many as the best in town.

Nearer to the city center are hotels like the Hilton, which prides itself on up-to-the-minute business services, the Meridien, which has an ideal location and an unusual roof-top swimming pool, and the Sheraton, popular for official functions and conferences. In the middle range of the market is the Spanish-managed Plaza in the Al-Muthanna shopping center, a hotel noted for its Moroccan restaurant.

—Michael Hanson

Al Mulla Celebrates Golden Jubilee

TODAY the Al Mulla group represents over 150 international companies, employs around 3,000 people and has reached an annual turnover of \$140 million. Yet the company, which this year celebrates its Golden Jubilee, began in a small enough way.

In 1938 Abdullah Saleh Al Mulla went into partnership with Saleh Jamal and established an electrical and domestic appliances shop in the local souk. Then Bader Al Mulla & Brothers,

formed in 1947, became the distributor for Chrysler cars. This steadily became a core business as Al Mulla entered Kuwait's boom years and emerged a diversified group with interests in the trade, service and engineering sectors.

Najeeb Abdullah Al Mulla, who was elected chairman in 1969, masterminded the strategy of diversification. He explains: "We try not to rely on any single source for more than 25 percent of our business." As a multi-disciplinary

group of companies, Al Mulla's activities include environmental systems, cleaning and maintenance, security services, engineering products, computer services, foods and restaurants as well as its traditional trading operations. Al Mulla's Project Engineering Division recently won a KD 2.4 million (\$8.7 million) contract to air-condition the Kuwait Communications Tower. Most recently, the group has opened a new security center for vaulting, salary

packaging and data storage with Securicor. While diversification has been the key to Al Mulla's success, its older established businesses remain important. The group's automotive division has received accolades as most outstanding dealer worldwide from both Chrysler and Mitsubishi.

After-sales service is one of the division's strong selling points. Al Mulla's 10,000-square-meter Al Rai auto service garage, the largest air-conditioned re-

pair shop in the Middle East, can service 175 cars at a time. The division has also diversified into commercial vehicles and specialist trucks and maintains a 1,200-vehicle fleet for rental and leasing.

Recent additions to the group have also turned in strong performances. The office equipment division specializes in modern office technology. Al Mulla Cleaning and Maintenance, Kuwait's leading company in its field, has won contracts for municipal clean-

ing and at hospitals in Iraq as well as Baghdad's international airport.

In addition, Al Mulla's dynamic approach to business management has created a series of autonomous profit centers.

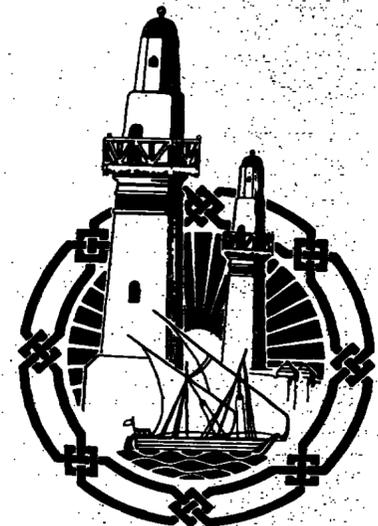
As part of its Golden Jubilee celebrations, Al Mulla will be recognizing the special contribution made by 315 of its long-term employees and also awarding commemorative plaques to many of its long-standing associates.

—A.R.

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ADVERTISING SECTION

ADVERTISING SECTION

Consolidation and Restructuring Strengthen Banking System

WITHIN Kuwait's banking community there is a growing feeling that the difficult years are past and that the emirate's financial sector is moving toward a further period of sustained expansion.

Banks and financial institutions foresee international as well as domestic advance in the wake of the extensive consolidation and restructuring that followed the demise of Souq al-Manakh, the unofficial stock market, in 1982.

Effective action helped soften the immediate impact of the collapse, which left a large volume of corporate and individual debt. Rigorous measures and monitoring procedures have since been established to prevent the recurrence of such a situation.

As Central Bank governor Shaikh Salem Abdul-Aziz al-Sabah stated in 1987: "The banking system in Kuwait is very sound. In terms of shareholders equity, Kuwaiti banks are among the most heavily capitalized in the world. Their shareholders equity to assets ratio is not less than 10 percent, and I do not include inner reserves and hidden provisions."

According to Shaikh Salem, international confidence in Kuwait's banking system is growing. Increasing support from overseas banks reflects the success of Central Bank initiatives taken since the summer of 1986 — measures that deal with the problem of non-performing loans. These problems, a consequence of the Souq al-Manakh crash, weighed heavily on an economy wrestling with the oil price slide.

Settlement agreements for about 52 percent of bor-

rowers have now been approved. The notification and authentication stages of a three-phase settlement program for bad debtors are almost complete, clearing the way for a final phase of agreements.

The government-backed loan settlements have helped underpin local banks. According to Shaikh Salem: "I do not think there is a country in the world that provides such an assurance to its banking system. We have said shareholders equity will not be touched and creditors' rights will be assured by the government."

Such policies have led to a steady improvement over the last two years. The Central Bank's last annual report showed that the consolidated balance sheet of Kuwait's commercial banks rose 6.2 percent in 1986 compared to a 2.2 percent fall in 1985. The total assets of the six banks amounted to KD 10.772 billion (\$39.178 billion), KD 250 million (\$909 million) up on 1985 though KD 384 million (\$1.397 billion) less than 1983. Money supply rose 2.6 percent in 1986 while savings and foreign currency deposits grew rapidly.

The Central Bank continued, for the second year running, to absorb local liquidity by intervening in money markets as a net borrower. In September 1987, for the first time, the government was authorized to finance the budget deficit through direct borrowing. This resulted in the first-ever issue of public medium-term debt instruments by a Gulf Cooperation Council country.

Bankers have responded enthusiastically to the use of government borrowing

as a tool of monetary control and means of budget financing. There is no apparent rush to introduce the new instruments; it is more important to get the issues' timing and prices right and establish a viable long-term market.

Getting banking back onto a sound footing has clearly been a government priority. "If a bank extends credit and something happens to the loan, it is obliged to make provisions. This is the key rule the Central Bank has introduced. We want to develop the financial market. Kuwait has been a trading economy. We will also become a financial center in the region," said Shaikh Salem.

Kuwaiti institutions have long been active in both international and regional markets. The 65 percent state-owned Kuwait Investment Company, Kuwait Foreign Trading Contracting & Investment Company and Kuwait International Investment Company are the emirate's three major investment companies. The KIC was underwriting issues long before many European houses entered the bond markets. In 1981, KIC lead managed and co-managed 50 international bond issues worth almost \$4 billion.

In 1985 the top 20 Arab banks included seven Kuwaiti and Kuwaiti-owned banks and financial institutions which act as lead managers for international loans. Among these were Alahli Bank of Kuwait, National Bank of Kuwait and Bank of Bahrain & Kuwait. The latter, based in Manama, is 50 percent owned by Kuwaiti institutions and a shareholder in the Paris-based Union de Banques Arabes et Francaises (UBAF).

Alahli Bank is another prominent player on the international scene and ranks among the top three Arab banks participating in international syndications. The bank plans to open a representative office in London in March, the fourth Kuwaiti commercial bank to do so. Such moves are often the first step toward receiving a full banking license.

The Bank of Kuwait and

the Middle East, which enjoys an innovative reputation, is also keen on increasing its international exposure. As deputy general manager Issam al-Usaimi commented last year: "The banks are looking for new activities now that the difficult debt program is being settled. In Kuwait the emphasis has been on the liability side of the balance sheet. Now we are going into the asset side."

The National Bank of Kuwait, the largest of the emirate's commercial banks, has stressed systematic expansion into the world's leading financial centers. This strategy explains the bank's strong performance at a time of Gulf recession, says chairman Mohammed Abdulmohsin al-Kharafi.

In 1987, NBK reported a 5.1 percent increase in net profits, which reached KD 26.7 million (\$97 million). Bucking the trend elsewhere in the region, it increased its cash dividend to 22 percent. NBK chief general manager Ibrahim Dabdoub said the results reflected steady profitability and strategic management.

NBK has 1,750 staff in Kuwait and 200 overseas at branches in London, New York, Singapore and Bahrain. Foreign clients accounted for 45 percent of NBK's KD 1.316 billion (\$4.786 billion) loan portfolio in 1987.

Last year the bank lead managed bond issues for the World Bank and the Republic of Finland. The latter issue, in May, clearly demonstrated the attractions of Kuwait as a center of financial intermediation. While signing a KD 30 million (\$109 million) bond last year, the World Bank's vice president Ibrahim Shihala underlined the mood of international respect for the emirate's financial sector. "The issue shows not only our confidence in the Kuwaiti dinar financial markets but also in the financial institutions of Kuwait themselves."

As the Bank of Kuwait and the Middle East's al-Usaimi said in 1987: "This year is not going to be worse than 1986, and I think there is going to be slight growth. After that there will be growth years with expansion of 2.5 percent a year." His confidence is shared by many others both inside and outside Kuwait.

—A.R.

Transport, Communication Links Expanded

TRANSPORT and communications are changing the face of Kuwait. The national air carrier, Kuwait Airways, has introduced a new look to its business class. There has been a substantial expansion of the telephone system incorporating improved technology. More expressways are being built to link Safat City with other parts of the emirate. Port facilities are being extended and improved.

Such developments are part of the government's overall policy to ensure that Kuwait remains an important business and financial center in the Gulf.

Topping the list of current expenditures, the construction budget of \$90.4 million will help underwrite the expansion of telephone exchanges at Far-

waniya and Riqqa. The Ministry of Communications, which now has a new minister, Mr. Abdullah Abdul-Mohsin Al-Sharhan, also intends to add 10,000 more lines to its central exchanges at Messilah and Jleeb Al-Shuyouk. Telephones are also to be installed along all of the expressway networks.

Last year the telecommunications services generated \$214 million in revenue. This year, to improve customer service and billing, its accounting services are to be computerized.

Shortly before the end of 1986, a new control tower and 3,500-meter runway were completed at the international airport. A local firm, Mohamed Abdulmohsin Kharafi, and its American partner, Koppers International, undertook the \$68 million contract,

which also included a VIP terminal.

Kuwait Airways' revenues for last year are expected to show an increase, with the projected figure of \$461 million showing a profit of \$711,000 compared to \$529,000 in 1985/86. KAC has fought off the discounting and charter challenge by offering improved service to its 1.5 million passengers. Its Oasis service on wide-bodied jets includes first-class lounges, special check-in facilities and a 30-kilogram baggage allowance. For the businessman who can't stand being out of touch with reality at 35,000 feet, KAC's phone-in-the-sky service can be charged to credit card.

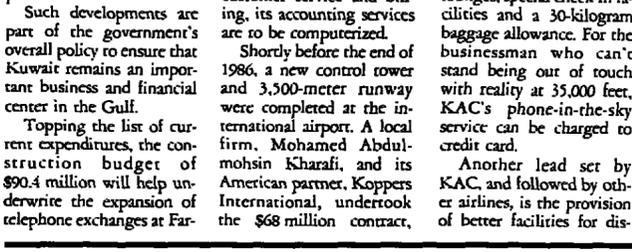
Another lead set by KAC, and followed by other airlines, is the provision of better facilities for dis-

abled and handicapped travelers. These include special seats and stowage for wheelchairs.

Kuwait's major commercial seaports — Shuwaikh, Shuaiba and Doha — have continually expanded since they were first built in the early 1960s to handle the emirate's rapid economic growth.

Kharafi is currently constructing a \$30 million complex for the Ports Public Authority in Kuwait, and carrying out work on the infrastructure at Shuwaikh. The same company has also won a \$22 million contract to extend the Fahheel Expressway. When this project is completed, probably in about two years' time, Kuwait will have one of the best free-flowing city road networks in the Gulf.

—A.R.



Hectic trading on the Kuwait Stock Exchange floor.

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cil, which includes representatives from the Central Bank of Kuwait, the Finance and Economy Ministry, the Industrial Bank of Kuwait, brokerage companies and the chamber of commerce, have also issued rules governing share transactions.

Though the present level of trading is relatively modest, the long-term prognosis is optimistic and ambitious. The Kuwait Stock Exchange has become a model for the Gulf region and planners anticipate it will soon spawn other capital market activities that will, in turn, generate further profits and employment for local people.

Some 50 stocks are currently traded and the number is set to increase when the government decides to offer shares in some state-owned companies to the public. In the future, it is hoped, international stocks will also be added.

In the meantime, the introduction of a new share dealing system in March will allow dealers to resell shares on the day they are bought. They must currently wait at least three days before selling. The new system, which is expected to increase the volume of trade, is part of the exchange's growing sophistication. Reuters' screens are already used to carrying share prices and soon, no doubt, the dealing itself will be computerized.

—A.R.

Bond Issues Stimulate Market

MOVES approved last September enable the Kuwait government to borrow up to KD 1.4 billion (\$5.092 billion). The initiative, which provides the means to finance the emirate's budget deficit, is certain to stimulate Kuwait's capital market and has been welcomed by the banking sector.

Kuwaiti institutions have been quick to take advantage of the first government bond and new treasury bill flotation. The bond issue comprises a highly liquid financial instrument and bankers anticipate that a strong secondary market will develop on the Kuwait Stock Exchange.

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According to one of the participating banks: "We feel that the issue has demonstrated the attractions of Kuwait as a center of financial intermediation. We hope that the market will steadily expand in a prudent and progressive fashion and play a meaningful role as an international capital source."

The heartening reaction to both foreign and domes-

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tic issues indicates a firm and confident market. Kuwait's third treasury issue, in December 1987, had to be increased from KD 50 million (\$182 million) to KD 75 million (\$272.5 million) to meet demand.

Kuwait's Stock Exchange expects to get a boost from the revival of the KD bond market. Last year the exchange was recording up to 1,000 transactions a day worth up to KD 20 million (\$72 million).

The minimum requirements that listed companies must meet include submitting their balance sheets and clearly indicating the basis on which receivables and other items are valued. The stock exchange's coun-

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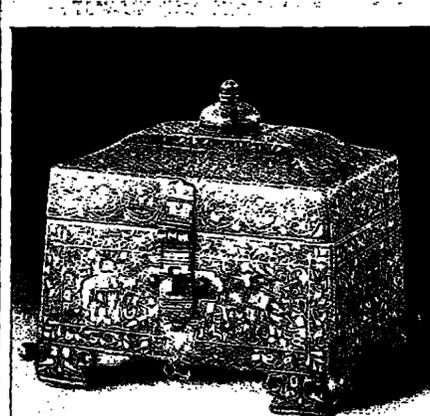
One of Kuwait's traditional old entrances (top); and the Towers, Kuwait's best-known landmark.

For a nominal fee, the hotel will provide a car and driver to help businessmen make their town calls.

The well-known SAS hotel has replaced the same hotel by opening a City Centre near the port bank center. This provides a home base for businessmen and need a temporary base. Normal business and catering services available. More recent SAS has introduced a new menu items menu items using the lounge. The new SAS Club offers four floors, four floors and offers a range of dining facilities. The new SAS Club offers four floors, four floors and offers a range of dining facilities. The new SAS Club offers four floors, four floors and offers a range of dining facilities.

— Michael Hanson

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SPORTS

Winfield, an Aging Early Bird, Set on Keeping Nest Feathered

By Michael Martinez
New York Times Service
FORT LAUDERDALE — In past springs, he has been among the later arrivals in camp, never here on the day the regulars were asked to report...



Yankee outfielder Winfield on Tuesday: Flexible — and in full flex.

Big East, Cracking Down on Fights, Mandates One-Game Suspensions

By Dave Sell
Washington Post Service
WASHINGTON — The Big East Conference Tuesday night instituted new rules designed to curb the violence that has erupted in recent basketball games...

Johnson Wins Owens Award

Compiled by Our Staff From Dispatches
NEW YORK — Canadian Ben Johnson, who set the world record for the 100-meter dash when he clocked 9.83 seconds at the world championships in Rome last September...

But the world's fastest man was nearly too slow to receive the honor. Johnson missed his flight from Toronto to New York and the press conference where the winner was announced...

Johnson was clocked under 10 seconds five times in 1987, averaging 9.946 in his top performances. "Ben Johnson is one of the greatest athletes of all time," said Herbert P. Douglas, Jr., founder of the Owens award...



Ben Johnson "I'm in better shape..."

Rent-a-Dragster: Dream Come True

New York Times Service
NEW YORK — Last July, Richard Shaw watched the National Hot Rod Association Summerfest drag races in Old Bridge, New Jersey, from the grandstand. Earlier this month, the fashion industry executive had a different perspective on the action at the Winter International event in Pomona, California...

he described his experience in California. "I've been going to the races as a spectator for years, and just like everyone else I'd always wondered what it would be like to drive one of those cars. Now I've had a chance to live that dream."

compared with the 17- to 19-second times that most passenger cars record in the same test. "Turning a quarter-mile in eight and a half seconds is pretty incredible," said Shaw. "At these speeds there's nothing easy about driving the car. There's plenty of it, just trying to get a good start and shift the car at just the right moment. Too early or too late and you lose the race."

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Conner Targets Sept. 5 for Cup Start

The Associated Press
NEW YORK — The San Diego Yacht Club will begin defending the America's Cup against a New Zealand challenger about Sept. 5, Dennis Conner said Tuesday. The series probably will be the best-of-three races because that is what the deed of gift calls for...

to reach the challenge round last year, when Conner won the cup back from Australia, went to court and forced the challenge this year. It was originally scheduled for 1991, with 22 nations to be represented. After Fay won his court case, based on a literal interpretation of the deed, the San Diego Yacht Club decided to limit the competition to two boats. Conner said other challengers would not have had time to prepare for the competition, which this year will not be between 12-meter yachts.

Sail America, which will manage the cup defense, will purchase two catamaran practice boats from France; Conner said the actual defender will not be built for a month. Fay had already begun construction of his yacht before he issued his surprise challenge. "This guy kicked us below the belt," Conner said of Fay. "I'm a sailor. How do you deal with a guy who doesn't care if he wins in court or on the water?"

SCOREBOARD Basketball

Table with columns for Eastern Conference, Pacific Division, National Basketball Association Standings, U.S. College Results, and Hockey. Includes team names, scores, and game details.

INTERNATIONAL CLASSIFIED (Continued from Back Page). Includes sections for Employment, Legal Services, Automobiles, Escorts & Guides, and various international services like Transco, Geneva Escort, and Zurich.

Vertical advertisement for Porslan's Ski Jun... featuring a skier and promotional text.

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FROM STORING INFORMATION SEMI CONDUCTOR

THURSDAY, FEBRUARY 25, 1988

INTERNATIONAL STOCK MARKETS

Tokyo Stocks Nearly Back To Levels Before Collapse

By ANNA ESAKI Reuters TOKYO — The Tokyo stock market has done what most pundits thought it could not do after the October crash — rise and rise, back close to its pre-crash highs. The Nikkei Index has been bolstered by low interest rates and relatively stable currency exchange rates, brokers said. It has gained for the past 10 days, putting on more than 1,000 yen. "There are few investors in Japan who want to sell," said Kunio Misaki, a senior analyst with Nikko Securities Co. "Fundamentally, the market is strong." Some analysts predict the market will in the near future surpass its Oct. 14 high of 26,646.43 on the 225-stock index, with the most bullish forecasting that this will happen before April 1. The fear of heavy selling because of institutional book-selling before the end of the fiscal year on March 31 has calmed, brokers said. There is a feeling that a large portion of the selling has already been done, with many losses now reduced or erased due to the rising market, they said. The Nikkei rose again on Wednesday, by 19.20 points to 24,968.65, less than 6 percent off its October peak. On Tuesday the index had gained 102.74 points to 24,949.45. Wall Street still has roughly 25 percent to go before regaining its October highs. "Fundamentally, we are on a different trend than New York," said a broker at one major Japanese securities house. Takashi Murakami, deputy branch manager of Schroders Securities in Tokyo, said, "The outlook is very bright, much brighter than it was in December or at the beginning of the year." Recent strength on Wall Street has bolstered confidence, but is not a primary reason for Tokyo's gains, brokers said. "Wall Street is not such an important factor day to day," said Craig Chudler, an analyst with Smith New Court Far East in Tokyo. "Tokyo has outperformed Wall Street by a long shot."

MARKET FOCUS has switched from lightly capitalized issues to heavily capitalized ones like steel. Brokers said this shows that big institutions are back in strength and buying in bulk.

Satoshi Sumita, governor of the Bank of Japan, said Wednesday the recent rise of the Tokyo stock market is normal and reflects the steady expansion of the Japanese economy. Shigeru Uemura, senior managing director of Daiwa Securities Co., said of the stock market, "It is hard for us to anticipate a Tokyo crash in the foreseeable future." He said he was optimistic about the future of the Japanese economy. "We do not anticipate a reversal of the trend." The economy is expected to grow almost 4 percent this year, helping stocks related to consumer demand such as department stores and supermarket chains. Analysts forecast a 4.5 percent wage increase this spring, up from the record low increase of 3.56 percent last year. The increase may further promote spending. Plans to reduce the Japanese work week may also create interest in leisure-related shares, such as those for companies involved in film theaters, restaurants or horse racing. But despite the market's promising performance, some brokers are worried that the rapid advance could lead to a sudden spree of profit-taking. They said it might have been better if the market had made steady gains, pausing on the way up. However, most brokers agreed the market appears safe in the short term, barring a plunge on Wall Street. "Institutions are not so much worried about reporting losses, but are more interested in making money, and you can't do that by just sitting there," said Smith New Court's Mr. Chudler. Nikko's Mr. Misaki described the current dollar situation as delicate, and said there would be currency fluctuations that would inevitably swing the market.

Currency Rates

Table with columns for City, Currency, and Rate. Includes Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Tokyo, Zurich, and various other international rates.

Forward Rates

Table with columns for Currency, Period, and Rate. Includes Pound Sterling, Japanese Yen, Deutsche Mark, and other forward rates.

Interest Rates

Table with columns for Term, Rate, and Source. Includes Eurocurrency Deposits and other interest rate data.

Key Money Rates

Table with columns for Country, Rate, and Source. Includes US, Japan, and other key money rates.

U.S. Money Market Funds

Table with columns for Fund Name, Assets, and Yield. Includes Merrill Lynch Ready Assets and other U.S. money market funds.

Gold

Table with columns for Location, Price, and Source. Includes Hong Kong, Paris, Zurich, and other gold prices.

Profit Off 62% at Barclays

After Provision, £339 Million Gain

LONDON — Barclays Bank PLC, Britain's second biggest bank, said Wednesday that its pre-tax profit fell 62 percent to £339 million (\$598 million) in 1987, after it made an exceptional provision of £713 million for problem Third World loans. However, it said the sharp decline from its £895 million profit in 1986 was partially offset by a 31 percent jump in earnings from domestic banking. This portion of the bank's business earned £548 million after £419 million in 1986, reflecting a general consumer boom. The bank's total assets rose 11 percent in 1987 to £87.8 billion. Barclays was the third leading British bank to report that higher

The three largest Swiss banks are expected to report stable profit for last year, Page 15.

had debt provisions had eroded profitability, after recent results from National Westminster Bank PLC and Midland Bank PLC. The last of the so-called "Big Four" in Britain, Lloyds Bank PLC, is due to announce its year-end figures on Friday. Its results are also expected to reflect this worldwide earnings trend.

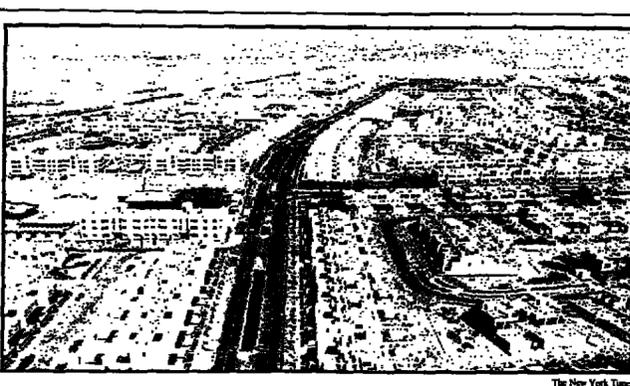
Hurt by October's stock market collapse, Barclays' investment banking subsidiary, Barclays de Zoete Wedd, recorded a loss of £11 million during 1987 compared with a £1 million profit in 1986. However, since last autumn's securities losses, Barclays de Zoete Wedd has been trading profitably, Barclays said.

NatWest, which is Britain's biggest bank, reported that its investment bank subsidiary had a loss of £116 million in 1987 after a £38 million loss for 1986.

Barclays' exceptional debt provision, for loans to countries experiencing liquidity problems, was bigger than the £580 million that banking analysts had expected. Nonetheless, Barclays shares firmed 9 pence to 483 pence on the London Stock Exchange after the announcement, later closing at 484.

Barclays sought to reassure shareholders by stating that it would raise the year's total dividend to 23.25 pence a share from 21 pence. The bank said that the exceptional provision covered about 29 percent of its portfolio of loans to countries with payment problems. Overall, it added, its provisions for all bad or doubtful debts covered about 35 percent of its developing country loans at risk. This was slightly higher than the 33 percent announced by NatWest and the 29 percent by Midland.

On Tuesday, NatWest said its 1987 pretax profit fell 30 percent to £704 million. Midland, which has a bigger exposure to problem loans, fared worse. Last week it said that its bad debt provisions had produced a £505 million loss. Analysts said they believed that it was the first full-year loss by a major British bank this century.



A housing project canceled by the Saudis last year amid a budget squeeze. Declining oil revenues have triggered cutbacks throughout the Gulf, dealing a blow to construction giants like Bechtel.

Bechtel Squirms in the Limelight

Iraq Pipeline Wasn't the Only Construction Job It Lost

By Stephen Labaton New York Times Service SAN FRANCISCO — Bechtel Group Inc., a U.S. construction giant that normally enjoys a low profile, has found itself in the limelight because of its role in an ill-fated proposal to build an oil pipeline through Iraq and Jordan. A special prosecutor is investigating a memorandum sent to Attorney General Edwin Meese 3d by a friend who had a financial interest in the pipeline. The memo mentioned a plan to make payments to Israel officials in return for a pledge that the Israelis would not bomb the project. The pipeline was never built. But Bechtel's real difficulty is what got it involved in the Iraq project to begin with: a dearth of large construction projects in the Middle East and elsewhere that traditionally had been the company's main source of income. "We've seen a tremendous reduction in the number of large industrial works," said Alden P. Yates, Bechtel's president, in a recent interview at the company's headquarters in San Francisco.



Alden P. Yates

Nuclear power construction in the United States, another large business for Bechtel, also had virtually come to a halt. Those trends caused competition from other European, American, Japanese and South Korean engineering and construction companies to intensify. Indeed, it was at that time that Bechtel suffered the first of several commercial setbacks. One of its divisions unexpectedly lost a \$700 million contract to work on the Zimmer nuclear power plant in Ohio, one of the last of such projects available. Two months later, Saudi Arabia abruptly halted construction of a \$1 billion refinery that Bechtel was building at Qasim. In the last three years, the situation has worsened, and Bechtel has had to undergo a traumatic restructuring of both its organization and business strategy. According to the latest figures that the privately held company has made available, Bechtel's revenue fell to \$6.55 billion in 1987 from \$7.5 billion in 1986. See BECHTEL, Page 15

A Tiny Explosion in New Zealand's Economics Laboratory

By Seth Mydans New York Times Service WELLINGTON, New Zealand — In its rapid shift over the last few years from one of the most tightly regulated economies outside the East European bloc to one of the freest, New Zealand has been experiencing what people here call "speed wobbles." Manufacturing enterprises, stripped of their subsidies, closed down. Farmers, who form the base of the New Zealand economy, suffered from the sudden removal of government support, and a population shift toward the cities began. But it was not until economic policy began to cross over into social policy in December, with the announcement of a flat tax and income-maintenance plan, that serious speed wobbles set in. Now, after a public spat within the ruling Labor Party, the government has retreated from a proposal for a flat income tax rate, which critics regarded as hard on those with low incomes. The retreat was the first major setback for "Rogernomics." Under this policy, which takes its nickname from Finance Minister Roger Douglas, New Zealand has discarded government restrictions on wages, prices, banking, rents and foreign currency exchange, along with import barriers and high subsidies. In the three and a half years since Prime

Minister David Lange took over, the nation has largely supported the policy, priding itself on its role as something of a laboratory for economic theory. Indeed, debate in New Zealand has focused less on the correctness of the policy than on the speed with which it has been carried out. In July, Mr. Lange's government was overwhelmingly re-elected on a Rogernomics platform even though the policy had not yet borne much fruit. "I couldn't believe a government could be re-elected on these indicator numbers," a Western diplomat said. "Nineteen percent inflation, unemployment at its highest point in history, real incomes down. Just about every number that could be wrong was wrong." At the time of the election, interest rates stood at 22 percent and unemployment had climbed to 6 percent in a country that had in the past enjoyed almost full employment. Interest rates and unemployment have since come down a bit. Mr. Lange, whose policies embody the Labor Party's traditional social conscience, had accepted Mr. Douglas's rigorous approach as an economic necessity, but there have been signs that the marriage has been uneasy. The debate over the flat tax proposal brought this into the open. In an exchange of policy statements in

recent weeks, Mr. Lange said that not even 10 families should suffer from a flat tax, while Mr. Douglas said he was prepared to accept adverse effects on 30,000 people. The adverse effects on lower-income people would result mostly from higher income taxes coupled with a planned increase in value-added taxes. The dispute began when Mr. Douglas unveiled his plan for a single income tax rate, which he later said would be about 23 percent, along with a guaranteed minimum income. Mr. Lange waited until Mr. Douglas was outside the country at the end of January to announce that the plan would be shelved. Mr. Douglas cut short his trip to defend his policy, in what commentators in Wellington called the first major rift in the Labor Party. Finally, in a compromise, the flat tax proposal was shelved in favor of a two-tiered tax structure that would replace three tiers. Under the cabinet's new plan, the top personal tax rate would drop to 33 percent from 48 percent and the corporate tax rate would fall to 28 percent from 48 percent. "It is impossible to proceed with economic theory free of politics," the Western diplomat said. For a while, it had seemed that this might be possible. New Zealand, with a population

of just 3.3 million, is a largely homogeneous, well-to-do society. It has what one local analyst called "a nice, neat little government," with a one-house legislature, no state governments and few of the special-interest pressures that hamper economic daring in other nations. "People say economics is not a science because we have no laboratories to test it in," the Western diplomat said. "But here we have a little laboratory down in the bottom of the world where all these textbook theories can be put into practice." The hardships suffered by New Zealand's agricultural and manufacturing sectors have to an extent been balanced by urban growth and a construction boom, along with a burst of trading in stocks and bonds. By the start of this year, inflation had dropped to less than 10 percent for the first time since the early 1970s, largely in response to the introduction of a 10 percent value-added tax. In the long term, the most serious threat to Rogernomics is out of its control: the prospect of a worldwide recession that would damage New Zealand's export-oriented economy and slow its financial trading. Perhaps that is the final lesson of New Zealand's economic experiment: that in today's small world, there is no such thing as a pure laboratory environment.

GM, Citing Demand, Will Lift Production

Compiled by Our Staff From Dispatches DETROIT — General Motors Corp., citing increased demand, announced plans Wednesday to raise its production by about 175,000 vehicles through the rest of the year. Robert C. Stempel, GM's president, said the increased demand came as a result of the automaker's "competitive retail incentive programs." Ford Motor Co. also recently increased North American production levels by about 75,000 cars and trucks for the first half of this year. "The market is a lot stronger than we thought it was going to be," a Ford spokesman said, but said the company has no firm production projections for the second half of 1988. U.S. automakers reported Wednesday that sales of domestically made cars and light trucks were brisk in mid-February, as combined sales jumped 14.5 percent over the same period a year. Despite the sales surge, GM's announcement came at a time when its inventory of unsold cars is at about 84 days. The industry considers a 60-day supply of cars the ideal level. GM's inventories have dropped since the beginning of the year, when it had about a 100-day supply of cars on hand. Ronald Glantz, analyst with Montgomery Securities, said the number of unsold GM cars is still too high. He said GM has about 30 percent more cars on hand than it now needs. Mr. Glantz said GM's announcement signaled that it has decided to retain sales incentives for the rest of this year and plans to force cars on dealers in hopes they can sell them. GM said that as part of the effort to lift production, it would reopen an idled plant in Framingham, Massachusetts. The plant, which the company closed Nov. 30, will resume car building operations May 9 when a single shift of 2,000 workers return to work to assemble

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NYSE Most Actives table with columns for stock symbols, volume, high, low, close, and change.

Market Sales table showing NYSE 4 a.m. volume, NYSE 4 p.m. volume, and other market statistics.

NYSE Index table showing Composite, Industrials, Transp., Utilities, and Finance indices.

Wednesdays NYSE Closing logo with 'Via The Associated Press' text.

AMEX Diary table listing various stocks and their prices.

NASDAQ Index table showing Composite, Industrials, Finance, and Transp. indices.

AMEX Most Actives table listing top-performing stocks on the AMEX.

Dow Jones Bond Averages table showing yields for various bond categories.

NYSE Diary table listing specific stock transactions and prices.

Odd-Lot Trading in N.Y. table showing buy and sell orders for various stocks.

Dow Jones Averages table showing the performance of the Dow Jones Industrial Average.

Standard & Poor's Index table showing the performance of the S&P 500 index.

NASDAQ Diary table listing specific stock transactions on the NASDAQ.

AMEX Stock Index table showing the performance of the AMEX stock index.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Dow Fails to Break Jan. 7 High

NEW YORK — Prices on the New York Stock Exchange managed only fractional gains in heavy trading Wednesday. The market once again encountered strong resistance in its battle to break through and hold a new post-collapse high on the Dow Jones industrial average.

The Dow, which had fallen 1.17 on Tuesday, rose 0.83 Wednesday to close at 2,039.95. The Dow had been ahead more than 15 points in early afternoon trading, surpassing the post-Oct. 19 high of 2,051.89, set Jan. 7, before pulling back to end with the modest gain.

Advances edged declines 818-715 among the 1,976 issues traded. Volume totaled 212.7 million shares, compared with 192.3 million on Tuesday.

Ralph Bloch, chief market analyst at Raymond, James & Associates in St. Petersburg, Florida, said the market's early afternoon runup fell victim to some program selling, which came amid widespread skepticism over the market's ability to break through the formidable barrier.

"We've got a couple of days to fill in before the market breaks out on the upside, but there is no real pressure on the market," Mr. Bloch said. "It is just having to deal with a lot of disbelief that it is going to get through" 2,051.89. "It's a resistance area. No doubt about it."

Mr. Bloch said the market's "internal dynamics are strong enough" to sustain a move well beyond the early January highs.

"Once it breaks out, 2,100 will be a layup," Mr. Bloch said. "And if we get the proper volume and momentum, we have a good shot at 2,150 in the near term."

Ernie Rudnet, manager of block trading at Mabon, Nugent & Co., said, "Every time they want to slam dunk it, take it down 20 or 30 points," the market "holds and manages to find some support."

Mr. Rudnet said little had changed over the past two or three days and he expected the market to make another assault this week on the 2,051.89 level.

FPL Group was the most active issue, unchanged at 31 1/2.

Union Electric followed, unchanged at 24 1/2. Navistar was third, up 1/4 to 5 1/2.

AT&T was off 1/4 to 29 1/2. IBM was up 1/4 to 116 1/4.

Among other blue chips, General Electric was down 1/4 to 43 1/2, American Express was up 1/4 to 26, USX was up 1/4 to 32 1/2, Eastman Kodak was up 1/4 to 41 1/4, Sears was up 1/4 to 36 1/4 and Merck was off 2 1/4 to 163 1/4.

Prices were slightly higher in active trading on the American Stock Exchange.

The price of an average Amex share added 2 cents. Volume totaled 10 million shares, compared with 8.7 million on Tuesday. Advances led declines 292-278 among the 817 issues traded.

Western Digital led the Amex actives, up 1/4 to 14 1/2.

The National Association of Securities Dealers index of over-the-counter stocks rose 2.06 to close at 363.14, extending its winning streak to 11 days.

Table of stock prices and changes, including columns for 12-month high/low, stock symbol, div. yield, P/E ratio, and price change.

Table of stock prices and changes, continuing from the previous table.

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BUSINESS ROUNDUP

VNU Wins Audet With Higher Bid

By Ronald van de Krol
Special to the Herald Tribune
AMSTERDAM — NV Verenigd Bezi VNU, the largest publishing group in the Netherlands, said Wednesday it had clinched its bid to acquire Audet NV, a regional newspaper chain, by yielding to dissident Audet shareholders and sweetening its bid by 50 guilders (\$26.30) per share.

on Tuesday when it became clear that we didn't have a majority."
The dissident shareholders had long criticized VNU's offer — 100 guilders in cash plus 2.5 VNU shares for every Audet share — as being too low.
"They knew they were close to defeat," Ruud Hazewinkel, a spokesman for the group, told Reuters. "They knew they did not have enough to reach the 51 percent

mark and that they would have had to start all over again."
Trading in both VNU and Audet was suspended on the Amsterdam Bourse on Wednesday, but it later resumed in VNU shares. It closed down 3.30 guilders, at 65. Trading in Audet was scheduled to resume Thursday.

Mr. Brentjes described the new price for Audet as being "on the expensive side." But he said the takeover was a strategic step forward in VNU's efforts to strengthen its daily newspaper activities.
The takeover will give VNU annual revenue of around 2.3 billion guilders and create the second-largest Dutch newspaper publishing group, with a virtual monopoly in several highly profitable markets.

Truck Sales Lifted Profit 8% at Saab-Scania in '87

STOCKHOLM — Strong truck sales helped Saab-Scania AB, the Swedish automotive and aviation group, show pretax profit for 1987 of 3.58 billion kronor (\$595 million), up 8 percent from 1986, the company said Wednesday.
But Saab's car division, despite record sales, saw profit last year cut by more than a third to 579 million kronor, largely because of the dollar's fall. Overall group revenue last year was up 18 percent from 1986, to 41.4 billion kronor.

Suzuki Is Joining Venture To Sell Peugeots in Japan

Special to the Herald Tribune
PARIS — Automobiles Peugeot said Wednesday that it would join Suzuki and Austin Rover Japan in a joint venture to sell Peugeot cars in Japan.
Jacques Calvet, chairman of Peugeot SA, the parent company, predicted the venture would permit the French automaker to boost its annual sales in Japan to 20,000-25,000 vehicles by 1990.
Last year, only 1,000 Peugeot models were sold in Japan.
"All told, Mr. Calvet said, just 93,000 European cars were sold in Japan in 1987, while Japanese automakers sold 1.4 million cars in Western Europe.
Peugeot began exporting to Japan in 1985 through the 80 sales outlets of Austin Rover Japan Ltd., the import subsidiary of Britain's Rover Group PLC.
The new agreement, which takes effect May 1, retains the Austin

Rover network and gives Peugeot access to an additional 450 sales outlets of Suzuki Motor Co.
Suzuki specializes in models with small engines, of less than 1 liter displacement. Peugeot models to be exported will be equipped with larger engines, of between 1.4 and 1.9 liters.
Suzuki sold about 500,000 cars in Japan last year. By comparison, Toyota Motor Corp., the Japanese giant, sold 955,000 in the first half of its current financial year alone.
"If we manage to cooperate well, this agreement will enable us to better penetrate the Japanese market," said Osamu Suzuki, president of the Japanese automaker.
Several months ago, Mr. Calvet urged the Japanese Auto Manufacturers Association to work toward eliminating barriers to foreign cars.
Such barriers, he said, include higher insurance premiums for foreign cars.

GM: Automaker, Citing Strong Demand, Plans to Increase Its Production

(Continued from first finance page)
The mid-sized Oldsmobile Ciera. About 3,700 hourly workers were idled by last fall's closing.
GM also said that effective March 14, it will resume the second shift of about 1,900 hourly workers at its Van Nuys assembly plant in California, where the Chevrolet Camaro and Pontiac Firebird cars are assembled.
It also will resume two-shift operations at its Lansing A-plant in Michigan beginning April 11. It builds the Oldsmobile Calais and Buick Skylark cars there.
GM will also add a second shift of workers at its Oshawa No. 1 assembly plant in Ontario, effective March 21.
In Detroit, GM's Cadillac division announced it would increase production of Cadillac Seville and Eldorado cars at its Detroit-Hamtramck assembly plant by 4,700 units through the addition of Saturday overtime.
The strong increases in mid-Feb-

Stability Expected for Swiss Banks' Profits

ZURICH — Switzerland's three major banks are likely to report 1987 profits close to the previous year's record levels, despite probable heavy losses on their stock portfolios in last October's market collapse, analysts have said.
The three — Union Bank of Switzerland, Swiss Bank Corp. and Credit Suisse — are also likely to announce unchanged dividends when they report annual figures starting Thursday.
"We expect reported profit to be largely in line with the previous year, although we could be talking about a 2 percent or so shift in either direction," said Urs Ernst, head of research at Bank J. Vontobel & Co.
"Both the key question," he added, "is how much the banks lost in the crash and it is very difficult to estimate that."
The huge discrepancy between the amount Swiss banks actually earn and the net profit they declare always makes forecasting their profits a treacherous business.
Analysts say the real profit earned by UBS was up to two and a half times the record 776 million Swiss francs (\$582 million at current exchange rates) it reported for 1986.
Credit Suisse's 566 million franc profit and Swiss Bank Corp.'s 674 million franc profit are the real picture to a roughly equal extent.
The difference is largely accounted for by additions to "hidden reserves," leaving declared profit

as something that management can, within limits, set at whatever level it wishes.
This freedom is particularly used to smooth out swings in earnings from year to year, in order to portray steady growth.
"We believe the banks had a very good year in 1987," said Gilbert Puder, head of research at Bank Sarasin & Compagnie. "But they will want to give the market a sign that the banking business will get harder in 1988."
"Really it is a political thing," agreed Hans Kaufmann, head of research in Swiss equities for Bank Julius Baer & Co.
Whatever the Big Three decide, the similarity among their businesses and cost structures plus an apparent desire to keep in step with one another make it likely their declared profits will move in line, analysts say.
In 1986 net profit growth at all three banks came within a few decimal points of 12 percent.
Union Bank's result, which is due on Thursday, should therefore prove a good guide to Credit Suisse's results, due Friday, and Swiss Bank Corp.'s next Wednesday.
Even if profits do fall slightly, they are doing so from an extremely high base. Analysts said that with the enormous investment they have put into new technology in the last few years, all three banks look likely to remain highly profitable.
"We must keep any fall in perspective," said Mr. Puder of Bank Sarasin. "Banking remains a growth industry in Switzerland."

Nobel Kemi's Top Executive To Resign in Arms Scandal

STOCKHOLM — The top executive of Nobel Kemi AB, a Swedish explosives concern involved in the Bofors arms scandal, will resign next month, a company spokeswoman said Wednesday.
Hans Sieverström, Nobel Kemi's managing director, will resign at a company meeting March 9, the spokeswoman said.
Two employees of the company were charged last year with smuggling explosives to the Middle East between 1981 and 1985. Nobel Kemi is part of the Nobel Industries Sweden group, which includes Bofors, the country's biggest arms maker.
The trial of Nobel Kemi's former marketing director, Mats Lundberg, and an unidentified company engineer is to start this spring. Mr. Sieverström told a local news agency that he did not know of the illegal transactions but nevertheless felt responsible.
"Their discovery came as a shock

to me. I consider it a personal failure," he was quoted as saying.
Mr. Sieverström will take up a new post in the Nobel group headquarters, the company spokeswoman said.
Nobel Industries' managing director, Anders G. Carlberg, has acknowledged that Bofors sent advanced weapons and missile systems to Middle East states in contravention of Sweden's strict arms export laws. The police are investigating the case.
The Swedish government last summer also charged that Bofors used bribes to secure a \$1.3 billion arms contract with India in 1986. The company denied that any illegal payments were made.

BECHTEL: U.S. Construction Giant Lowers Its Sights

(Continued from first finance page)
1986 from \$14.13 billion in 1983. During the same period, new orders plunged to \$3.54 billion from \$13.05 billion.
Meanwhile, the company's payroll has shrunk to fewer than 18,000 workers from a high of more than 45,000 in 1983. Bechtel declined to release its earnings.
Out of necessity, the company has had to lower its sights significantly. In the 1970s and early 1980s, it pursued only grandiose projects: the construction of Jubail, a \$20 billion city in Saudi Arabia planned for completion in the 1990s; the building of Washington's subway system, and the cleanup after the Three Mile Island nuclear accident.
Bechtel now speaks regularly of the kind of smaller projects that it once spurned as the mainstay of its business. The company supervises the cleaning of asbestos from old office buildings and builds sections of highways in Turkey and in Boston.
It has become heavily involved in building co-generation plants that use industrial waste heat to generate electricity and it supervises the construction of refuse-to-energy plants. It automates manufacturing factories and installs devices to detect drug smuggling at airports.
On Friday, Bechtel announced that it would supervise the construction of a bakery complex near Raleigh, North Carolina, for RJR Nabisco.
"It's all part of the process of downsizing," Mr. Yates said.
As of 1986, Bechtel was working on 73 mega-projects, each involving work totaling more than \$50 million. That compared with 89 in 1985. More of the big projects are now in North America and fewer in the Middle East.
The market has become so tough that Bechtel has increasingly had to invest in projects to win them. Bechtel officials acknowledge this, but they point out that such invest-

ments enable them to make more money on a given deal.
An investment makes it easier for the customer to obtain the rest of the needed financing from banks and other investors.
Because of the tougher environment, Bechtel is also teaming up with competitors to a much greater extent than ever before. For example, it recently joined with Kumagai Gumi, a Japanese construction company, to build a hydroelectric dam in northern Manitoba.
One of Bechtel's biggest hopes is its high technology operation, Bechtel National. While the unit currently accounts for only 5 to 10 percent of Bechtel's revenue, the company hopes that share will climb to 25 percent by the 1990s, said William J. Friend, Bechtel National's president.
The unit is a relatively small player in the Strategic Defense Initiative, the U.S. plan for a space-based defense against incoming missiles, but is trying to expand its role. Bechtel National also does extensive work for the Defense Department, the Department of Energy and the National Aeronautics and Space Administration.
Despite its retrenchment, Bechtel remains one of the world's largest engineering and construction companies. It is owned by 37 senior executives who hold stock that they must sell back to the company when they leave.
Throughout its history, it has filled its ranks with executives and consultants who have had highly visible positions in government. These have included Caspar W. Weinberger, the former secretary of defense who was Bechtel's general counsel before joining the Reagan administration in 1981, and George P. Shultz, who was Bechtel's president before becoming secretary of state in 1982.
Founded in 1898 by Warren Bechtel, the company has always been controlled by the Bechtel family. Since 1965, it has been headed by

Warren's grandson, Stephen D. Bechtel Jr., a Stanford-educated engineer who plans to retire when he turns 65 in two and a half years.
Forbes magazine in October estimated that he and his father, Stephen D. Bechtel, the company's previous chief executive, are together worth \$800 million.
Company insiders say that the most likely candidate to succeed Stephen Bechtel Jr. is his 35-year-old son, Riley, a director of the company and the youngest of the five men on the company's powerful executive committee.
Others mentioned are his older son, Gary, a vice president, and two brothers-in-law who also work at Bechtel: Mr. Yates, the company's 59-year-old president, is also in contention.

All these shares have been sold. This announcement appears as a matter of record only. February 1988

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GM: Automaker, Citing Strong Demand, Plans to Increase Its Production

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The surge was not shared by most foreign makers who build cars in the United States. These are Volkswagen, Honda, Nissan, Toyota and Mazda.
Total domestic car sales rose 11.9 percent in the nine selling days from Feb. 11-20, while domestic truck sales, which increased for all makers, jumped 19.6 percent as the surge in light-truck popularity showed no sign of slowing.
"Car sales continue to stump me," said industry analyst Ted Sullivan of WFA Group in Bala Cynwyd, Pennsylvania. "They were much higher than we expected."
Mr. Sullivan said his firm was bullish in light of last October's stock market plunge. "We thought the consumer would hold off on big spending, but it just didn't happen."

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Intel climbed from \$18 to \$22 (up 22%) after an IBM microprocessor found serious applications. For complementary reports on why newer chip generations could spark even bigger advances, write, phone or telex:
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CURRENCY MARKETS

Dollar Ends Mixed in New York

Compiled by Our Staff From Dispatches. NEW YORK — The dollar ended narrowly mixed Wednesday in New York, supported by testimony from Alan Greenspan, the Fed chairman, that he did not favor driving down the currency's value to make U.S. goods more competitive abroad.

London Dollar Rates

Table with columns: Closing, West, Tur, Deutsche mark, French franc, Swiss franc, French franc.

The U.S. currency lost ground against the British pound, which closed at \$1.7645, against \$1.7630 Tuesday. Hubert Pedrol, manager of the corporate advisory desk at Credit Suisse, said the currency markets spent the day consolidating after recent narrow losses.

U.S. Trade Gap, Adjusted, Stood At \$159 Billion

WASHINGTON — The United States recorded a foreign trade deficit of \$40.17 billion in the fourth quarter of 1987, taking into account seasonal adjustments and other factors, bringing the total 1987 deficit to \$158.2 billion, up from \$144.34 billion in 1986. The report covered monthly figures on merchandise trade already released, but now excluding military sales and costs of insurance and shipping.

Analysts Say Strong Mark Strains West Germany

FRANKFURT — West Germany's export-driven economy is becoming increasingly strained by the high value of the Deutsche mark as signs emerge of erosion in the country's industrial sector, economists say. "It is clear that we have a very strong currency and that this is likely to last at least for the next three to five years," said Jürgen Pfister, senior economist at Commerzbank AG.

Bank of Japan Sees Rise in Export Prices

TOKYO — Economists at the Bank of Japan expect Japanese companies to raise dollar prices of their exports by between 5 and 10 percent in the coming fiscal year, the bank said Wednesday. The central bank's economists said the price increases in the year from April 1, 1988, to March 31, 1989, will reflect the rise of the yen. But despite a drop in overseas sales volume, they said, the strong domestic economy will allow manufacturers to keep production high.

Loan Rate Rises For Soviet Bank

PARIS — The Soviet Union's Bank for Foreign Economic Affairs is tapping the international credit market for an eight-year loan of \$150 million. The loan, bearing a slightly higher rate than previous borrowings, is being organized by Crédit Lyonnais. The cost of the loan is set at 3/16 of a percentage point over the benchmark London interbank offered rate.

Smart, Verity Disputed Department Agenda

WASHINGTON — Sen. Bruce Smart Jr., who resigned as undersecretary of commerce after being denied a promotion, also disagreed with Commerce Secretary C. William Verity Jr. over the department's agenda, acquaintances of both men said Tuesday. Mr. Smart had advised Mr. Verity, the friends said, that the secretary was trying to do too much in the last year of the Reagan presidency.

Generale: Group Led by Suez Asserts Control

(Continued from Page 1) Some believe that Mr. de Benedetti's position as the largest single shareholder could pave the way for discussions between him and the Suez group on the future course of the company. A Belgian broker, however, said Mr. de Benedetti's minority blocking share would give him little leverage in such negotiations.

Table with columns: 12 Month High, Low, Stock, Div. Yld., Sales in '87, High, Low, 4 P.M. CLOS.

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Wednesday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume.

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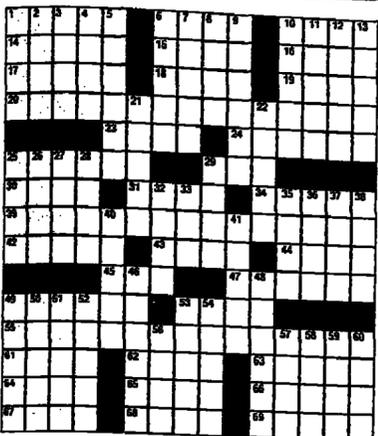
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- ACROSS**
- Holy Grail, e.g.
 - Crocks or stocks
 - Initial quartet
 - Menonite
 - Declare openly
 - Lunar sea
 - Old Latin American coin
 - Whit
 - Draftee's status
 - Sydney swim stroke?
 - U.N. member
 - Small hole
 - Least
 - diem
 - Catchall abbr.
 - Bellow
 - That is, to Cato
 - Dangerous
 - Domestic gamble?
 - Treacherous person
 - Congressional creations
 - "Man of..."
 - 1934 film classic
 - Lowell or Alcott
 - Zealous
 - Mistakes on paper
 - Profoundly
 - Wise
 - Machurian marble game?
- DOWN**
- Polonius advised against this
 - Tamarack or tamarind?
 - "Zoo Story" dramatist
 - Theater org.
 - Sicilian city
 - Jewish month
 - Kind of mate or work
 - "The Third Man" director
 - Niagara power-system designer
 - Big top
 - Hot under the collar
 - Established practice
 - Ostrich's cousin
 - Toppers
 - "Lord..."
 - Kind of line
 - Incarcerates
 - Weight
 - Tournament agenda
 - S. C. Foster's river
 - Love, in Livorno
 - Devoid of originality
 - "Sara..."
 - 1887 children's classic
 - Appointed
 - Stars over the Forum
 - Actor Richard
 - First name in talk shows
 - Small case
 - Abrahe
 - Additional
 - Local for a figurehead
 - "Drink to me..."
 - Altar on high
 - Kind of end or heat
 - To be, in Toulon
 - Jazzman Getz
 - Big top
 - Hot under the collar
 - Established practice
 - Ostrich's cousin
 - Toppers
 - "Lord..."
 - Kind of line
 - Incarcerates
 - Weight
 - Tournament agenda
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 - Love, in Livorno
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 - 1887 children's classic
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 - Stars over the Forum

PEANUTS



BLONDIE



BEEBLE BAILEY



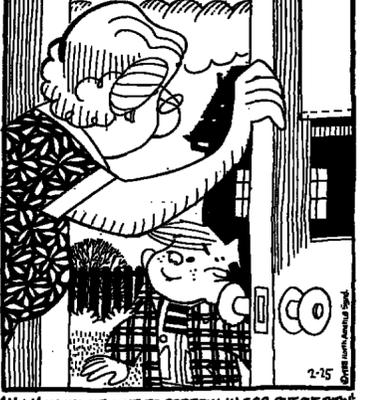
ANDY CAPP



WIZARD OF ID



DENNIS THE MENACE



REX MORGAN



GARFIELD



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

NOUGY

SIGEE

LOYDOG

GLOONB

Now arrange the circled letters to form the scrambled word game suggested by the above cartoon.

Answer here: A

(Answers tomorrow)

Yesterday's Jumbles: PLUME MAUVE STUDY COUSIN
Answer: When she said yes to the composer it was this—MUSIC TO HIS EARS.

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	17	12	C	17	12
Amsterdam	13	10	C	13	10
Antwerp	13	10	C	13	10
Berlin	13	10	C	13	10
Bombay	24	19	C	24	19
Buenos Aires	13	10	C	13	10
Calcutta	24	19	C	24	19
Cairo	13	10	C	13	10
Colon	13	10	C	13	10
Hankow	13	10	C	13	10
Hong Kong	13	10	C	13	10
London	13	10	C	13	10
Manila	13	10	C	13	10
Medan	13	10	C	13	10
Osaka	13	10	C	13	10
Paris	13	10	C	13	10
Shanghai	13	10	C	13	10
Singapore	13	10	C	13	10
Tientsin	13	10	C	13	10
Yokohama	13	10	C	13	10

World Stock Markets

Amsterdam	Close	Prev.	London	Close	Prev.
ABN Bank	250.00	250.00	AA Corp's	167.00	167.00
AF Holding	25.00	25.00	AAEP	17.00	17.00
Aegon	65.00	65.00	AAEP	17.00	17.00
Alkerm	12.00	12.00	AAEP	17.00	17.00
ANVEY	97.00	97.00	AAEP	17.00	17.00
Arcor	11.00	11.00	AAEP	17.00	17.00
Arcor	11.00	11.00	AAEP	17.00	17.00
Arcor	11.00	11.00	AAEP	17.00	17.00

BOOKS

THE STRANGE NATION OF RAFAEL MENDES
By Moacyr Scliar. Translated from the Portuguese by Eloah F. Giacomelli. 309 pages. \$19.95. Harmony Books-Crown Publishers Inc., 1 Park Avenue, New York, N.Y. 10016.

Reviewed by Alan Ryan
BRAZIL, alive with contrasts. A First World country at the beach, a Third World country on the hillsides. Jazz and recording studios in Rio, sad songs and Yoruba drumming in the slums. Carnival and poverty. The Roman Catholic Church, macumba and offerings to Iemanjá, goddess of the sea. A president named Kubitschek, an architect named Niemeyer and a reverence for all things French. A nation of Africans, Indians, Portuguese and of foreigners: Slavs, Japanese, Germans, Jews.

Scliar's Russian-Jewish family came to Brazil at the turn of the century, bringing with them the ancient heritage of Jewish history. (No problem; Brazil has room for it.) While that heritage informs all of Scliar's writing, it is the actual subject of his latest book. The "nation" of the title is the Jewish people, and this is a wonderfully Jewish novel about lives lived within a tradition, within a context, shaped by

Alan Ryan is a novelist and journalist. His latest book is "The Bones Wizard," a collection of stories. He wrote this review for The Washington Post.

BRIDGE

By Alan Truscott
I was the prophet Jeremiah who asked, rhetorically, this question: "Can the Ethiopian change his skin, or the leopard his spots?"

Contrary to Jeremiah's expectations, leopards in their natural habitat can do a good job of disguising their spots in the shadows, and bridge players should endeavor to follow their example. We shall assume that two careful leopards are in the East-West seats on the diagrammed deal, reported recently by Don Kersey of Kingston, Ontario, in The Bridge World.

North-South had good reason to believe there would be bad breaks, so they avoided the obvious 5-3 heart fit and landed in six, no-trump. The diamond jack is led, and South wins in the dummy. He knows that East has all seven missing spades, and can be sure, as Kersey points out, of turning the obvious 11 tricks into 12.

At trick two, the play of the heart king reveals the bad break and the clubs are cashed. Since South already knows the major-suit distribution, he will now know about the diamonds. If either defender has the majority of the missing diamonds he can be employed, but unfortunately South's calculations reveal that the original diamond split was 4-4. All is still well for South can cash the heart queen and the remaining diamond winners to reach this ending:

NORTH
♠ 10 9 8 7 6 5 4 3 2
♥ A K J 10
♦ A K J 10 9 8 7 6 5 4 3 2
♣ A K J 10 9 8 7 6 5 4 3 2

EAST
♠ A K J 10 9 8 7 6 5 4 3 2
♥ A K J 10 9 8 7 6 5 4 3 2
♦ A K J 10 9 8 7 6 5 4 3 2
♣ A K J 10 9 8 7 6 5 4 3 2

WEST
♠ A K J 10 9 8 7 6 5 4 3 2
♥ A K J 10 9 8 7 6 5 4 3 2
♦ A K J 10 9 8 7 6 5 4 3 2
♣ A K J 10 9 8 7 6 5 4 3 2

SOUTH
♠ A K J 10 9 8 7 6 5 4 3 2
♥ A K J 10 9 8 7 6 5 4 3 2
♦ A K J 10 9 8 7 6 5 4 3 2
♣ A K J 10 9 8 7 6 5 4 3 2

Neither side was vulnerable. The bidding:
East: 1♣, 2♦, 3♣, 4♣, 5♣, 6♣, 7♣, 8♣, 9♣, 10♣, 11♣, 12♣, 13♣, 14♣, 15♣, 16♣, 17♣, 18♣, 19♣, 20♣, 21♣, 22♣, 23♣, 24♣, 25♣, 26♣, 27♣, 28♣, 29♣, 30♣, 31♣, 32♣, 33♣, 34♣, 35♣, 36♣, 37♣, 38♣, 39♣, 40♣, 41♣, 42♣, 43♣, 44♣, 45♣, 46♣, 47♣, 48♣, 49♣, 50♣, 51♣, 52♣, 53♣, 54♣, 55♣, 56♣, 57♣, 58♣, 59♣, 60♣, 61♣, 62♣, 63♣, 64♣, 65♣, 66♣, 67♣, 68♣, 69♣, 70♣, 71♣, 72♣, 73♣, 74♣, 75♣, 76♣, 77♣, 78♣, 79♣, 80♣, 81♣, 82♣, 83♣, 84♣, 85♣, 86♣, 87♣, 88♣, 89♣, 90♣, 91♣, 92♣, 93♣, 94♣, 95♣, 96♣, 97♣, 98♣, 99♣, 100♣.

An inattentive South now wishes that he had paid more attention to the East-West plays in the diamonds suit. He leads the deuce from dummy, and East plays the four. Surely West can beat that. South thinks, so he discards a spade and goes down to defeat when West produces the three. Not for the first time, a hunter has been outwitted by two leopards who know how to disguise their spots.

Toronto Feb. 24

Symbol	High	Low	2 P.M.	Close
1000 Shares	110.00	109.00	109.50	109.50
1000 Shares	110.00	109.00	109.50	109.50
1000 Shares	110.00	109.00	109.50	109.50

Montreal Feb. 23

Symbol	High	Low	Close
1000 Shares	110.00	109.00	109.50
1000 Shares	110.00	109.00	109.50
1000 Shares	110.00	109.00	109.50



